

A NEW DEAL FOR HE: ROUNDTABLE DEBATE



The first in a series of nationwide round table discussions hosted by the Leadership Foundation took place in spring 2011. The aim is to create a safe space for debate, under the strictest interpretation of the Chatham House rule, to reflect on issues that go well beyond the immediacies of political discourse such as the white paper on English higher education and funding models. Further round table discussions are being planned in the devolved administrations. Here we summarise some of the key points from the first event, which took place in England and brought together leaders from across the sector.

Informing the discussion

The first round table event was informed by a provocation paper, 'All change, slow change, no change?', prepared by Professor Sir Peter Scott, professor of higher education studies at the Institute of Education, University of London and previously vice-chancellor of Kingston University. The paper culminated in a series of issues and questions which served to trigger discussion (see below).

Trigger issues and questions

Paradigm shift or more of the same? The Browne report acted as a catalyst to the coalition government's current proposals. Are these likely to lead (as Lord Browne has claimed) to a 'paradigm shift' in higher education and the rejection of the largely publicly funded and regulated system that has grown up since the 1960s? Alternatively, will these proposals be 'absorbed' by the system, leading only to limited changes in its ethos, structure and organisation? Is it merely substituting public funding channelled through students (student vouchers) for public funding channelled through higher education institutions (HEIs)?

Mass or elite? Since the 1960s, the standard assumption has been that all reasonable forms of student demand should, as far as possible, be satisfied by providing the necessary additional capacity. Given rising levels of achievement and aspirations in schools and the increasing demand for graduate-level skills in a knowledge economy, is it feasible to return to an earlier, more restricted, system of higher education?

Diversity, differentiation, autonomy? In what ways is the current higher education system lacking in diversity? Is diversity evident or lacking in categories of institution, patterns of courses and awards, types of student, compatibility with employment and social needs or in other ways? Would a more formally differentiated system of higher education, with more distinctive types of institution, be more or less able to respond to social needs and market demands than a system composed of autonomous institutions able to determine their own strategies?

Implications of higher fees: Are higher fees more likely to:

- Promote market responsiveness by forcing institutions to be more attentive to student demands (and can these be distinguished from student needs?);
- Stimulate the development of non-standard forms of higher education and encourage private providers to enter the higher education market;
- Enable institutions to consolidate their existing positions by providing a more reliable and generous stream of funding than existing Hefce grants?

If higher fees lead to a significant increase in the level of institutional distress (and potentially institutional failures), should the government and Hefce seek to mitigate these consequences – or should they positively encourage mergers and acquisitions and, in the last resort, allow institutions to be closed?

THE FIRST REPORT FROM NEW NEW UK-WIDE EXCHANGES



The discussion

Discussion at this first round table event developed around two broad strands:

- The longer-term implications of the coalition government's plans for institutional behaviour, market responsiveness, student demand and expectations and the diversity of the higher education sector;
- The implications for leadership, management and governance in terms of institutional strategy, leadership style, competition and collaborative behaviour.

The following is a summary of the discussion around the trigger questions, reflecting these two strands.

Longer-term implications

Will coalition government implementation of the Browne report generate a radical shift in the sector?

The truth is that at this stage no one really knows. At the time of writing, the white paper on English higher education is still not published. The debate around it and what it might contain is quite wide-ranging. In discussion, the general view was that we may be quite surprised by the forces unleashed by the Browne formula, as many institutions may increasingly see the new regime as an opportunity rather than a threat. Such a shift will only take place if institutions adapt and change their own core behaviours, strategies and structures, rather than embracing the new funding processes without significantly changing the way they behave.

Traditionally universities might be considered to be relatively risk-averse, and their natural state would almost certainly be to attempt to 'ride out' the new regime without making any fundamental changes to the way they operate or relate to other institutions. However, the view of round

table participants was that we were already seeing institutions engaging in new kinds of 'market thinking', focusing to a much greater extent on how to attract and retain students and staff in quite innovative ways. This market focus and increased competition for students and funding may drive many institutions away from traditional inertia to more radical change.

How do we respond to the increasing demand for higher education? Should there be a cap on demand? How are institutions preparing themselves for any changes to patterns of demand?

For most at the event, it was axiomatic that a knowledge-based economy such as the UK's should be associated with the continuous expansion of the higher education system and an increase in the number of graduates to deliver the higher skills necessary for our economy and our society. Participants did, however, feel that it would be a hugely short-sighted approach if the new fees system ended up permanently capping the number of graduates and inhibiting sector growth and its impact on the economy.

Looking at the effect on academic offerings within specific institutions, it was anticipated that the ways in which prospective students made decisions and choices about their own engagement with higher education would change, probably quite significantly after the new phase regime is embedded. Changes to these student behaviour patterns (which have been relatively stable in the past) represented a challenge to higher education providers seeking to plan for the future. Providers would be less certain of the level of demand, particularly for the less vocational courses. The key questions that were raised included:

- On what information will prospective students base decisions about which institution to attend (price? location? reputation? student satisfaction? research success?) and where will they find this information?
- Will demand for particular courses change significantly? Many are predicting increased interest in vocational courses. Will this mean less demand for other courses – and what will this mean for other disciplines?
- Will students be less willing to pay the 'rack price' for their fourth or fifth choice of institution? And what incentives will institutions be able to offer to attract these students?
- How might changes to the above affect the current perceived hierarchy (and brand perception) of UK institutions?

It will be increasingly valuable for HEIs to track patterns of choices made by the students of the future at an earlier stage in their educational journey, to give them advance warning and some time to prepare for any potential changes in demand. This could be achieved, for example, by engaging more systematically with schools and sixth form colleges, understanding the plans of different business sectors, recruitment at local, national and international levels, and so on.

The response of further education colleges, private providers and international institutions to the changes in UK higher education, and to any developments in student choice and demand, will also have an impact. If alternative providers of education are seen as offering a

good 'deal' to prospective students then they may present increased competition to traditional higher education providers.

How price sensitive is higher education?

Discussion around the table suggested that, for traditional full-time, undergraduate students coming from the middle classes, the market may not be price-sensitive - these potential students will feel they have to attend a university anyway (to gain the skills required for future employment and because of the lifestyle factors of the 'graduate society'). For students from other backgrounds, price could well be more of an issue - although it is possible they will be prepared to pay the price - in the future - for a university education today.

Higher fees are likely to affect different providers in different ways. Among institutions which have an intake which is skewed towards under-represented groups, for example, there is a real worry that these numbers will begin to fall because of the higher debt individuals will incur (even though in the long term higher education might be more 'affordable' for these groups in terms of low up-front costs). Institutions in areas with low living costs expect to have increased demand for their offerings, and many are predicting that a greater number of students will apply to local institutions so that they can remain living at home, thereby saving further costs.



Key issues for sector leaders

Ideology, ethics and morality

Participants questioned how sector leaders can lead an institution through significant changes when they feel philosophically or morally uncomfortable with those changes. One of the issues related to this is the current public perception - and also perception within an institution - of the values of the senior management group. This is going to be a challenge over the next two to three years. Leaders will be taking positions which are at odds with values they have stood for in the past because they are obliged to do the best for their institutions. Some will be planning their retirement from the sector. Others will be identifying real opportunities for fundamental changes in the culture, structure and focus of their institution.

It was also recognised that the dynamic of student expectations has changed from three years ago. There are opportunities to invest comprehensively in the student experience to create a new sense of alignment between staff and students. Much rests on the moral authority of the vice-chancellor; realigning the student experience potentially offers a leadership opportunity. However, if in 18 months' time that change has not gone well, the dynamic will change again. Participants concluded that, for sector leaders, this is an 'odd period' of opportunities and threats.

Clusters and collaborations: new patterns, fresh choices

Participants were clear that higher education needed to be open to new forms and structures, both within the sector and beyond. New markets are not necessarily UK-based. This raises questions around the partnerships institutions already have overseas, for example in the validation of partnerships and franchises, and around making these more substantial. Further questions raised included: how can opportunities be linked to, where is there money to invest beyond the UK? How can the group ownership concept be taken further, rather than limiting it to the UK? How can it be extended beyond universities to encompass wider occupational groups? Only in the context of a holding company can the sector start exploring new forms of shared services and breaking down barriers.

Communications: internal

Participants acknowledged that this is a critical time to be profoundly open and honest with staff about participating in a period of great change.

They questioned whose loyalty and allegiance needed to be kept. As higher education moves into a more market-oriented, price-responsive system, it still needs to be a valued public service which people stand up to defend; not just the staff, but the wider public, who are ignored at our peril. It is worth looking across at other sectors - such as the health service, where public opinion has had an impact on the nature and pace of the reform agenda.

Communications: external

The sector needs to work hard to re-engage with the public. There is more to be done to articulate where the unique value of higher education lies. Some parts of the system are very well understood, others not. To articulate how value is added is enormously important. The sector is not terribly good at any expression of value-added, as distinct from the absolute achievements of the system. How does a widening-participation institution add value? How can the public be persuaded that they should continue to fund this?

Universities are not perceived by the general public to be terribly well run. Yet, which businesses in the UK can say that they deliver their business at half the cost of others anywhere else in the world? UK higher education has a fantastic story to tell, and this could not have been achieved without good leadership and management. We don't sell ourselves well enough.

The discussion referred to a survey¹ which said that 90% of mothers from all social classes want their children to go to university; participants felt that the sector needs to capitalise on this. There has been 'anecdotal warfare' against the sector, with politicians hearing about 'unnecessary' blue skies research from constituents and from businesses. As sector leaders and managers, we should be rolling out a new leadership

narrative, telling the story clearly. The sector needs to explain how important the university is to the community, rather than either hiding its light under a bushel or keeping a low profile to avoid conflict with staff, unions or students.

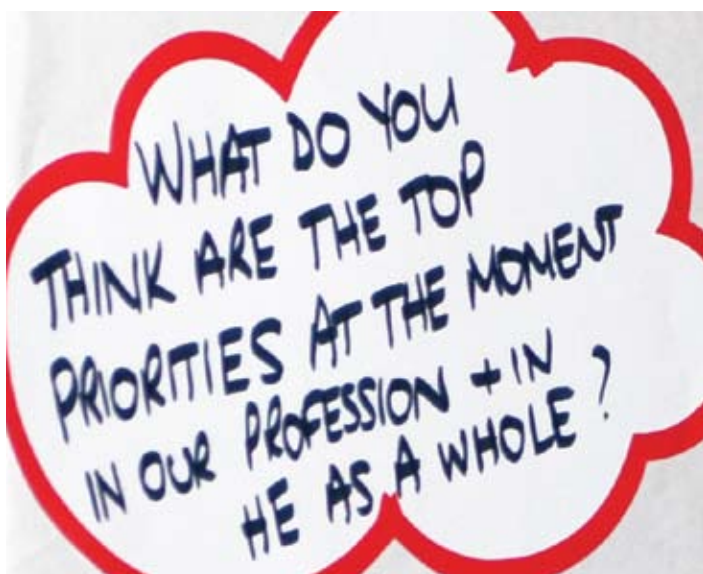
Management of 'the story', what people say to each other about the sector, is crucial. But we are not particularly good as a sector at developing and managing positive narratives.

Mission and identity

Discussion suggested that the sector needs to revisit the questions of 'what are we?' and 'who are we for?' Government is confused about whether we are private, public or mixed. There are many conflicts of identity emerging. Refocusing could be specific to a single geographical area or could involve many international partners.

Given that the basic product of higher education is still going to be graduates and research, there is a huge job to be done in articulating what each provider is offering. Leaders need to be clear about what they want their students and other members of the institution to hold on to. Communicating mission and identity is a considerable job for sector leaders.

The issue of social legitimacy of organisations and how that might change is important. There is still a major public investment in higher education, routed through subsidy of the student loans system. Civil servants and government are bound to ask 'are we getting value for money from this?' The sector needs to maintain its social legitimacy.



The psychological contract

Institutions have the real challenge of refreshing the psychological contract with their students over their expectations of the student experience, contract hours, employability and so on. Students will now want a more tangible value proposition. Institutions need to

engage with them in fundamentally new ways and share the priorities so that they feel they are having a say in what's happening.

The psychological contract is not just about students, but also about the relationship with staff and stakeholders. It is about maintaining an integrity in the fundamental values of universities while travelling into a much more market-orientated, fluid and ambiguous world. **E**



Some final reflections

What emerged most strongly was that the future shape of higher education in this uncertain world may significantly depend on key strategic leadership choices made by individual universities.

While many may feel they are being forced onto the back foot, others are clearly on the front foot. In short, is it about 'riding out the storm' or using it as a real opportunity to change the way the system works?

These choices may be summed up in the title of a dinner debate for the Leadership Foundation Board led by Professor David Eastwood, vice-chancellor of the University of Birmingham. His provocation read: Leadership in a cold climate – leading where the past is no guide to the future?

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