

ENGAGE Autumn 2009 : Leading Lines by James Ross

Nearly six years ago, when the Leadership Foundation was being set up, a common perception, at least among politicians and the chattering classes, was that universities were poorly led and managed. One recipe for remedying the situation was that higher education should simply mimic the private sector in its governance, market responsiveness and business focus.

Since then private sector practice, even before the lamentable performance of certain banks and other financial institutions led to the current economic crisis, can hardly be held up as uniformly the preferred model. And when we face up to the need for restraint in public expenditure after the next election, I confidently predict that public sector management practice will be roundly condemned for its inefficiencies and waste of taxpayers' resources.

Cross-sector learning

So it seems that we continue to need the enemy without, as each sector points to the failings within other sectors to deflect criticism from itself. I wonder whether it wouldn't be more constructive for each sector to explore with willing participants in other sectors, the practical steps which can be taken to improve its governance, leadership and management.

I Short term: financial crisis management

As we seek to navigate through the turbulent waters of the current crisis, the most obvious topic for cross-sector learning is financial crisis management. The challenges of managing for cash and for a more sustainable level of borrowing will need to be met to ensure that individual institutions survive in the short term.

I Medium term: structural models

But looking further into the medium term, the pressures will come on to consolidate and to find new structural models. Businesses have long worshipped at the altar of growth and size for size's sake. And yet academic studies have shown that the majority of mergers in the private sector fail to deliver the promised benefits. Moreover I'm not sure that the case for economies of scale has convincingly been made in higher education. So maybe there would be mutual benefit in the two sectors having a dialogue from which both could benefit. Such an exchange would rapidly need to descend from macro generalisations into the examination of very specific opportunities.

It is frequently argued that the private and higher education sectors have little in common, since in the former the loyalty of the individual is to the institution/company, while in the latter it is to the subject or faculty. But my suggested dialogue could examine how lawyers and other professions in partnerships, and sole traders in business are motivated and organised, and how entrepreneurs in Silicon Valley have thrived without cumbersome hierarchies to determine corporate priorities. Cats requiring a degree of herding do not exist solely in higher education.

I Long term: strategy

The reaction of many businesses to the current crisis is to put all discussion of longer term strategy on hold, while the company grapples with falls in sales of over 20 per cent. After all, they argue, we just need to survive to still be around in a couple of years' time, when we can then think of revisiting our strategy.

Higher education has the apparent luxury of time to plan for restructuring before the wave of public sector cuts breaks over it, when our politicians cease to live in a pre-election fantasy land. But therein lies a real danger – of doing too little too late, with the comforting repetition of the mantra that no higher education institution has 'failed' in recent decades. My conviction is that the real winners (as opposed to mere survivors) will be those who take prompt and, if required, radical action to survive financially, at the same time as challenging and reassessing their own strategies for excellence in the longer term.

A balancing act

The processes of balancing short-term survival with making space and time to recalibrate strategy have much in common across the sectors. They include trying to understand the environment in which the institution will exist along many dimensions – political, economic, financial, competitive, social, cultural, (green) environmental, technological etc. Manipulating alternative scenarios has been found to be a useful, but not always easy, method of handling uncertainty. But where leadership with good management really counts is in assessing the trade-offs, when the organisation has inadequate resources to fulfil all the ambitions contained within the strategic plan.

Risk management

The management of risk is fundamental to the balancing of survival with long-term excellence. Much (but not all) of the financial services sector has spectacularly failed in its recent handling of risk. But higher education has to be careful not to draw the wrong lesson from this failure, by becoming totally risk averse. Risk is there to be managed, not just avoided.

For the academic institution exceptional rewards, in terms of reputation, research excellence, student experience as well as financial strength, will come from exceptional handling of risk. I wonder whether the same is not true for the individual academic, in terms of the realisation of personal potential and not just financial success.

A universal recipe?

Clearly there is no one model from any sector which is the universal recipe for success. Ultimately it comes down to the quality of the individuals who are operating the system – whichever system. A good measure of whether the organisation is likely fully to benefit from the quality of the individuals leading it lies in the tone or the personality of its governing body. If it is open, self-critical and questioning it is more likely to thrive than if it is closed, complacent and dogmatic. Or as Andy Grove, chairman of Intel wrote: "Only the paranoid survive".