

The university model is a victim of its own success

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There is a perception that radical change in the higher education sector is inevitable. This paper argues that the university model of higher education is fundamentally sound and by implication, is not necessarily subject to the same forces acting on other industries. If changes are to affect higher education, these are likely to come from forces seeking to capitalise on the success of the higher education model, and in doing so place the entire model at risk. This issue is discussed in relation to one real proposal as an example of the actual (rather than the perceived) threats to the university sector.

At the 'National Forum: Curate, Credential and Carry Forward Digital Learning Evidence' held at Deakin University on November 13, 2014, Allyn Radford from Deakin Digital (a subsidiary organisation of Deakin) pointed out that there were vast numbers of people globally who cannot access education (Radford, personal communication, Nov. 13, 2014; Oliver n.d.). He also pointed out that some students run up high loans to pay for higher education, and that some of these students also default on these loans.

These are legitimate concerns that Allyn Radford has raised, and they are connected to the problems associated with university business models. However, he further asserted that as a result of these problems, universities must radically change, and if they do not, it is only a matter of time before some digital disruption undermines their business model. A similar claim is made by Christensen and Eyring (2012), who point to the high cost of education as one factor that may lead to disruption. I wish to tackle holistically this assertion of an inevitable disruption to higher education and its implications.

First, according to the metrics of business it would seem that rather than being a failing model at risk, the university system is in fact highly successful. The fact that people want access to university education, and are prepared to pay enormous sums of money to do so, does not suggest

a failing business model, but rather the opposite. In fact, I am going to argue in the following that it is the very success of the university system that most places it at risk. But before I do that let us look at the foundations of the system and its success so far.

Universities have a tradition of seeking capable people as academic staff. It is the achievements and work of these academics that ensures the reputation of each institution in the global university system – and this is a system that has been subject to global forces now for hundreds of years. Perkin (2007, 159-160) states:

In the interstices of power, the university could find a modestly secure niche, and play off one authority against another. Unintentionally, it evolved into an immensely flexible institution, able to adapt to almost any political situation and form of society. In this way, it was able to survive for eight centuries and migrate, eventually, to every country and continent in the world.

Thus globalism is not a new 'threat' to universities – although global competition and global reputation may have become more important as a result of cheaper travel combined with financial pressures. But let us be clear, the financial pressures are not a result of any failed business model, but are again a symptom of the success of the university system. This success has been built on the trust the community has in universities to focus on quality

(and it is reputation that has always spurred competition between institutions). Both quality and trust grew in large part due to universities' historic independence of business and government in relation to teaching and research. The universities' and colleges' monopoly on issuing degrees has – until recently – protected degree standards and assured that the quality of education and, importantly, the trust of the community, has not been undermined. Central to this trust is the community's faith in academics' execution of their role in ensuring that research and teaching programs are independent and as custodians of the long-term reputation of the institution. Now let us explore why that model, and the community's faith in the system, is under threat.

As claimed above, the fundamental problem of the university sector is the attractiveness of what it offers. The value obtained from a university degree for an individual's status, work prospects and personal development mean that a large proportion of the population desire university degrees. Thus there is pressure from the community for access to be provided to as many people as possible. The issue then becomes: who pays for this access? In Australia we have sought to increase access to education for Australian citizens by taking advantage of the demand for degrees from western, English speaking universities. The exorbitantly high fees universities charge international students have subsidised much of the higher education cost for Australians (University of Melbourne, 2011). The consequent risks to Australian universities, due to their dependence on international students, has been highlighted in a recent report by the NSW Independent Commission Against Corruption (ICAC, 2014). The Commission (ICAC, 2014) pointed out that Australian universities have at least two business models: domestic and international. Money from international students has allowed Australian university campuses to expand and domestic enrolments to rise. This dependence of the Australian universities on international student fees is now common knowledge in the sector and evidenced by Dr Michael Spence, the Vice-Chancellor of the University of Sydney, who stated in August 2014:

There has been a massive expansion in student numbers. There's significant under-investment in teaching and learning that's beginning to affect the quality of Australian higher education. There's significant under-investment in research. We lose money with every research grant we get because you only get the direct and not the indirect costs.

And we're incredibly reliant at the moment on the international student market. For my university, about

\$389 million of our \$987 million of student fee income comes from international student fees. Now, all of that's just not sustainable. Forty-one per cent of our students already pay full fees and all of our students make some contribution (Alberici, 2014).

On a related note, a rapid contraction of student numbers might threaten many institutions, but would not necessarily threaten the system itself. The basic historical model of independent, not-for-profit higher-education providers is as sound now as it ever was. And it is not at all clear that higher education will be subject to a sudden, unexpected digital disruption. The most likely source of disruption is what we are already seeing: changes in regulatory structure and profit pressures that undermine the integrity of the system.

So herein lies the source of the threat to the university system: the more successful an industry, and in particular the more money associated with that industry, the more it will attract people seeking to capitalise from that success for personal gain. Thus we get a flurry of international agencies building around the fringe of the university system, tapping into the student money flow and siphoning amounts off. Financially successful organisations and industries that are growing and changing also perhaps attract a particular type of entrepreneurial personality that seeks to find opportunities for career advancement (as suggested by Weber, 2005, see also Byler & Coff, 2003). Currently in the university sector such opportunities abound. Individuals can win a career by associating themselves with grand projects connected to the growth of universities, or they can at least find perhaps a well-paying position in one of the burgeoning university bureaucracies. This 'attractiveness' is further contributed to by governments that then pressure universities to find the funds themselves to cover the costs of offering education more broadly. Thus universities are pressured to specialise not just in education, but in entrepreneurial activities that seek purely to make profits (Australian Research Council, 2000). Through such processes university administrations may become increasingly stacked with business minded people who perhaps do not share the values and culture traditionally associated with universities.

There also are many opportunities to tap into the vast sums of money flowing through the system by building associations with the sector. Private organisations, like Seek Learning, endeavour to edge their way into the system so as to gain some share of that, with profit (not education) as the most likely prime motive. It is under these pressures that the system faces a risk of being undermined. The increasingly mercantile senior

administration of universities is moving ideologically further from the traditional academic. This ideological difference combined with the increasing relative power of the administration is leading to academics' concerns and academics' control over the programs being gradually diminished. The mission of providing education is perhaps seen more and more in light of business opportunities and less in light of educational outcomes. Academics are also perhaps seen less as experts and 'bright minds' and more as a necessary means to business ends; those ends being the shared value of the teaching or research status (and thus attractiveness) of the institution. But importantly, with differences in opinion between academics and administrators in relation to how this status should be achieved. As academics and academic values succumb to corporatism and short-term agendas, standardising agencies such as the Tertiary Education Quality and Standards Agency (TEQSA) and the Australian Quality Framework (AQF) Council are brought into play, enforcing externally the standards that the system can no longer sustain internally under the mercantile pressures that have been brought to bear on it. Thus an effort is made to bolster trust in the system (one straining under its own success) in an effort to maintain public confidence both locally and abroad. These efforts are a clear indication that substantial cracks are already starting to appear in the mighty ship of higher education. Institutions that were once trusted on their own merits are now so untrustworthy that they require compulsory external oversight.

So why does this matter? Cannot the AQF ensure quality? Perhaps not in the long term. There is a risk that with a change to business values, quality education and higher social outcomes may not be sought in their own right, but more because of their association with profit. Already it is unclear whether many faculties seek external accreditation for quality reasons or because such accreditation is being demanded by international students. The Higher Education Base Funding Review Submission (University of Melbourne, 2011, p. 6) claims that:

International students need qualifications recognised in their home countries or other places where they may seek employment and Australian students need qualifications that allow them to work overseas.

But how much do Australian students really need external accreditation to allow them to work overseas? And how does meeting the requirements of external, international, accreditation bodies reduce the ability of universities to address local needs? Does it restrict the ability of university courses to meet the unique needs

of Australian society and industry? Or is this really about meeting the needs of the international aspect of Australian universities' business models, perhaps at the expense of local students' needs? How can we ever be sure of the true priorities being addressed when such decisions are made? Especially when we already have agencies like the NSW Independent Commission Against Corruption questioning the corruptive influence of universities' dependence on international student fees. The legitimacy of such questions is supported by the literature, for example, Harvey (2004, p. 1) states that:

Accreditation processes, it is argued, are not benign or apolitical but represent a power struggle that impinges on academic freedom, while imposing an extensive bureaucratic burden in some cases. Accreditation can also act as a restraint on innovation and run counter to pedagogic improvement processes. There is a taken-for-granted underlying myth of an abstract authorising power, which legitimates the accreditation activity. This myth of benign guidance is perpetuated by the powerful as a control on those who provide the education and represents a shift of power from educators to bureaucrats.

A shift of power perhaps from educators and the needs of students and society to favour the priorities of bureaucrats concerned more with sources and streams of funding? Given the fear of university administrations of a 'disruption' to their business models and the efforts made in attempts to allow their organisations to adapt to such disruptions, it may be somewhat ironic that attempts to bolster their existing streams of income, by imposing the requirements of rigid external accreditations, are more likely to diminish the ability of institutions to innovate and adapt. However, it can be argued that major disruptions are unlikely, particularly ones that require a change in the fundamental business model such as those expected by university administrations. A drop in international student numbers, however, seems quite possible if countries like China increasingly seek to develop their own higher educational institutions or if changes in currency exchanges make Australia less attractive. Such possibilities suggest that overly tailoring our institutions to meet the demands of international students has its own dangers.

Perhaps under such business pressures, the AQF, though well intentioned, is at best a band-aid effort? A last grasp at maintaining the contradictions in a system focussed dually on providing quality education and earning the money to pay for it. The 'earning money' requirement appears to be a potentially corrupting force on the entire system, if the objectives are for education and research unbiased

by external vested interests. Under these pressures the AQF in relation to higher education is perhaps analogous to fables of old fashioned teachers in charge of naughty school children: someone who must be constantly active so as to stifle the children's bad instincts and even so the children continually do whatever they think they can get away with while under the teacher's supervision. Such children can never be trusted in the way that well-behaved and well intentioned children can be. What evidence do I have that the AQF's efforts must eventually succumb to the power of 'business entrepreneurialism'?

Allyn Radford, making his best (and perhaps well intentioned) efforts to please the university sector's new thirst for profit has provided at least one anecdote. Radford, as CEO of Deakin Digital, proposes offering master's degrees without providing any education at all, but rather by awarding degrees to people based on work experience (Dodd, 2014, Feb 17; Deakin Digital n.d.) The logic is that assessment takes the least time, and thus is the cheapest part of providing education (A. Radford, personal communication, Nov 13, 2014). Thus we have writ clear before us an emerging motive of the sector: profit. Not education at all. If the AQF Council believes that it can regulate the system so as to contain this demon of profit and the associated self-interest then it is likely deluding itself. But then, as the funding policies for universities are outside the control of TEQSA and the AQF, perhaps it has no choice but to at least try. However, one only has to look at any other industry: from mining (Queensland Audit Office, 2014) to banking (Calomiris & Haber, 2014; Yue, Luo & Ingram, 2013) to see what difficulties lie in trying to impose contrary values and aims on a system from outside.

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