

UNIVERSITY GOVERNANCE – AN EXTERNAL POINT OF VIEW

Catherine Harris PSM

Member UNSW Council

University Governance – External View

Today I have two speeches to make – one on governance in the Uni sector – one on Governance in Family run businesses. One sector, in my opinion, traditionally has focused far too much on due process and little on outcome. The other focus's on outcome and takes little notice of due process.

As a result you can have, in one sector, a battle on your hands about one individual that involves the highest levels of our communities, a virtual battalion of lawyers, a football team of journalistic commentators and a result that ends up the same as what two sensible people and a hand shake could have achieved years and thousand of dollars earlier. BUT every one is happy because due process was followed, and we know that is true because we had another 10 lawyers to tell us so!

On the other hand we might have a “family” organization that has made millions of dollars and is seen as being amazingly successful. The fact that a husband and wife are now divorced, two siblings don't talk to each other, there has been an environmental disaster and four senior employees had been fired from their 15 year position simply because they were getting “too powerful” - no one seems to worry!

I feel a little bit like I am in the middle of that joke – what's the description of heaven?

A place where the cook is French, The Policeman is English, The Mechanic is German and the Italian is the lover,. Hell of course is where the Italian's are the police...

So the challenge for me today in these two speeches is to make a few suggestions on how to get a little more balance without totally throwing a grenade into both rooms – well come to think of it that's probably why I have been asked to speak as an external member of Council (and I am taking that to mean some one who is not employed or elected by stakeholders of the University).

I have been disappointed that we have not heard a lot more from external members publicly in this Governance debate. What was very disappointing during the recent debate was that many Chancellors and Vice Chancellors were shut down on commenting because they could only speak on behalf of their Councils/ Senate with prior agreement of these bodies – so much for academic freedom. I heard many of these wise men and women state quite different personal views to those that were put forward formally by Councils to the Nelson Review.

External members of council are those that are there by appointment by the Minister or as an additional member appointed by Council. They are not paid, not employed or not elected by a specific stakeholder group. They are what some would term independent and hopefully have few conflicts or agendas.

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I did a bit of a straw poll of some of the external members. It produced a very sad picture, few were highly or even moderately satisfied about their experiences in the role; many found it was:-

- time wasting with a focus on the wrong issues
- dominated by “individuals with ego’s and agendas and a love of the monologue!”
- a focus on “management instead of strategic issues”
- sometimes uncomfortably confrontational instead of sharing of differing views and consensus building
- an irrational concern about minutes and how individuals were recorded in the minutes

One very senior Councilor said:-

- “The meeting is the objective, not the outcome”

I finished my questions with “does the word dysfunctional fit?” A summing up of the overall feeling of the responses was “Yes some what dysfunctional.” The saddest addition I heard was “but somehow the University got on despite us.” All this wisdom, all this time, all that effort and a summing up of “some how the University got on despite us!” I have to say I didn’t get comments from every university and I know that many have wonderful functioning Councils but clearly there is room for improvement in Governance.

Before I make further observations, I think it is important for me to clarify what I mean by University Governance and to do that I am going to borrow from my colleague and friend John Phillips the Chancellor of the University of Western Sydney. He says:-

The term governance is not always well understood. ...some (think) it refers to the responsibilities of the Council or Chancellor as opposed to those of the Vice Chancellor, the Executive or the Academic Board, a little like the difference between “Direction” and “Management”.

Governance is, rather, about the intricate web of relationships and responsibilities, which ensure, or should ensure, the pursuit of the objectives of the University in a prudent, fiscally sound, responsible and ethical manner.

He goes on to say that:-

The Council, the Academic Board, the Committees of Council, the Chancellor, the Vice Chancellor, the senior members of the University community and many others, all are part of the governance structure of the institution. It is the functions of these various groups and individuals, and the way they relate to each other, that we are talking about when we use the term governance.

So why is it so hard to ensure the pursuit of the objectives of the University in a prudent, fiscally sound, responsible and ethical manner?

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Why are we still having discussions at Round Tables like this about University Governance, why do we have a Minister of Education having to force changes on us and the opposition supporting those changes? Why aren't we coming up with clever and creative ideas on governing better in this dramatically changing world ourselves?

Since I first became involved with Universities in 1993 I was aware of discussions around the need for change in University Councils – way back, in 1995, there was the Higher Education Review, every state seems to have had reviews and papers about the Governing Bodies of Universities such as the South Australian Review in 1996 “Balancing Town and Gown”.

The reason, I believe we are still here discussing this issue is because for all these years we have been focusing on the wrong thing. We have focused on structure and independence –instead of the words in John's description of Governance – “The web of relationships”. We are focusing on board structure, membership and process not **Effectiveness**.

There has been much written about governance and what is the importance of various aspects of governance but basically very little real research. One person who has done a lot of research on corporate governance is Richard Leblanc and I am so pleased to see that he is coming back to Australia this month to give a paper for the Institute of Company Directors.

I must say his research is centered on corporations; however I feel that the broad principles would be the same for all institutions, hence when I use the term directors and boards clearly I am also meaning councils, senates etc.

Richard Leblanc, is a Certified Management Consultant, and Professor at York University's Schulich School of Business in Toronto. He is perhaps the world leader in measuring a board's effectiveness based on the behavior of the board and the individual directors.

Leblanc argues that research does not support the theory that structure is the important ingredient to good corporate governance.

He says the -:

“Regulators’ current mantra, their often repeated solution for curing what’s wrong with board of Directors, is to have more formally independent directors on a board.. , splitting the role of Chairman and CEO or reducing the size of a board”

Leblanc R, (Sept/Oct 2004) “*Preventing future Hollingers*” Ivey Business Journal

Leblanc R, Gillies J (Sept/ Oct 2003) “ *The coming revolution in corporate governance*” Ivey Business Journal

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He quotes one Canadian observer of Governance who said It's like trying to improve your Ice Hockey Team by focusing on the Ice rink.

His research has found that failures have occurred not for structural reasons but rather to do with and I quote:-

“The Independence of mind, and the competencies and behaviors of those directors sitting around the board-table, including how they are chosen, how they are led, how they work together, and how they are retired from the board. “

Leblanc says that:- "It's only from inside the boardroom that one can measure the effectiveness of a board of directors," "For that reason, it is time to introduce some rigor into how boards are selected, how they are run and what they do."

Any of us who have sat on various boards will know how true this is!

The new emphasis in board governance will increasingly be on the behavior and assessment of individual Directors /Councilors; not only their competencies and skills but also how they interact with each other, and with management. There will also be a new focus on the role of the Chair/ Chancellor

I have spent my professional career sitting on the boards of hospitals private and public, government instrumentalities, charitable institutions, public institutions and private businesses – every one of them is going through unprecedented change, everyone of them think that their sector is some how unique and different – which they are but it is only in the University Sector that the minute there is a suggestion that there could be greater efficiencies in Governance that those who make these suggestions are still being branded as “managerialists” or corporates trying to fit a “business model” onto a University.

Every one of these Institutions and organizations are trying to keep their costs under control. Every one of them are battling to increase their non-government funds, every one of them are grappling with capital and infrastructure costs; every one of them are poignantly aware of the ever increasing public scrutiny but none of the institutions that I have seen working really well think of their Governing body as a “parliament of stakeholders”.

Interestingly the Best that I have seen think of them selves as the keepers or protectors of the Institution **for** the Stakeholders.

Nearly all of these bodies have had to go through the pain of wrestling away positions on boards from stakeholder representation to a skills based Governing Body – the shift from parliamentary style governing bodies to corporate style governing bodies.

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The Nelson Review addressed much about the skills that are needed on Council however the focus was on the Graduate and External members little was said about elected members because lets face it this is a sacred cow in Universities.

I do not believe that a Governing Body of incredibly important institutions that hold the future of our country in their hands both through research and the teaching of our young people with huge assets, expenditures and incomes with incredibly fine margins of error can any longer survive with a parliamentary style model.

In saying this I am not recommending that there is no stake holder involvement – I do think that students and Staff can be on the Governing Body in fact should be and any institution that, after 10 to 15 years, can't produce enough great alumni; isn't worth its salt– in my time on council many of these stakeholders have contributed fantastically.

However the research seems to point to good governance resulting from what John Phillips refers to as “*the intricate web of relationships and responsibilities*” on the one hand and the skills and competencies of the individuals on the other how does our selection - election process stand up to scrutiny! How will the soon to be implemented University Legislation Amendment Bill 2004 help make our councils more effective and enhance our university sector?

None will now be surprised to hear that I feel that it did not go far enough.

I do not see how you can get the “skill matrix” which is needed by having so many elected members of council. Additionally I feel the burden on the independent or external members of council is too great, many of the committees of council have to be chaired by external members and it is inappropriate for staff members to sit on committees such as the Audit Committee. With up to one third of Council members being staff, this makes it very difficult.

Richard Lablancs research confirms this –

“There was general consensus that control-block boards are governed less effectively than widely-held boards.” He went on to say that many experienced directors refused to sit on these types of Boards.”

Having said I don't feel it went far enough I am not totally despairing. Each Council now has the ability to start the real change process.

Firstly each council should clearly asses the skill requirements on the council as aligned to their strategic priorities.

Secondly when the opportunity arises to selected new members of council then the skill required should be identified and a search process fully carried out to find the appropriate persons. We should embrace the opportunity of getting the best and brightest in the country on our councils, Minister's, Vice- Chancellor's and Chancellors should be out there persuading our community leaders to accept positions on university councils.

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Thirdly the election process for members of staff, alumni and students need to be totally revamped and the role and importance of the positions made far clearer.

At our last Graduate election in 2002 only 3.5% of our graduate population even bothered to vote and the undergraduate body was only 3.25% of students. This is not a representative sample in fact it is not even statistically relevant.

I am sure that like us, most universities in Australia have been incredibly lucky with the caliber of students, staff and Alumni who have put themselves up for election however with these numbers it has been luck. I feel the stakes are too high to continue in this blaze fashion.

(Just as an aside – has any council ever considered how vulnerable to “unfriendly” takeover these low turn out figures make us? Can you not see how easy it would be for a group with “an agenda” to take a major stake in a University?)

Of course it could be the “students for free parking and beer on campus” that puts together an email campaign and a telephone blitz to their mates and gets elected but what if it were one or other of the more sinister groups around town who put together the same email and telephone campaign to gather a few hundred students or alumni votes?)

How we can improve the election process is a speech in itself but just a few thoughts to start the process. I believe that the Chancellor and Council itself should be more involved in encouraging nominations, making its requirements very clear and the skills and competencies of a councilor clearly articulated.

The Alumni Association Board should assist the council by identifying and encouraging its best and brightest Alumni to stand for Council. The Alumni should then be encouraged to assess how their elected members performed.

Fourthly each University Council should have a detailed review process of its performance and the individual performance of its members.

I feel that this should go beyond just peer review – the management committee of the University should also be able to contribute to this assessment process.

Finally if we are going to dramatically change and make more effective our councils – meetings have to be improved the outcomes of the meetings should be how we measure Councilors performance – not what they said or didn't say during the meeting and therefore recorded in the minutes.

In closing I want to say that the higher education sector has the capacity to make a difference to every single Australian. Our research can and does save lives, improve the quality of life, protect our environment, make us money. Our teaching makes us a clever country and have a skilled work force in the highly competitive world in which we live;

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our status as a provider of education for the Asian Region makes us a leader in the region, helps in our International Relations and earns us much needed export dollars.

We need all of the best and brightest students to be able to attend our universities, we also of course need to be able to employ the best and brightest researches – to achieve this our Governing Bodies need the best and brightest to lead and direct this process not letting our Universities “Get on despite us”.

I don't for a minute pretend to be one of the best and brightest – Oh how I wish! My time on Council ends next year – but if my contribution can be that I contribute even a small amount to the effectiveness of governance in the sector I feel that I will have achieved a positive for our nation.