

University Governance-a Business View

Business-Higher Education Round Table

Presented by Garry Ringwood

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My name is Garry Ringwood and I am delighted, if a little apprehensive, to be speaking to you today on University Governance - a topic that has had no shortage of consideration over the last couple of years particularly by Government and the University sector itself.

As I was undertaking a little research by way of preparation to speak to you today I was genuinely surprised at the volume of papers, submissions and opinion pieces that have been generated by interested parties in recent times and I realised it was going to be difficult to come with something new to say to you today. However I will do my best.

First a few things about my background that will help you put my remarks into context:

- I served for 10 years on the Council of RMIT until I resigned at the beginning of 2003. The last 3 of those

years I held the post of Deputy Chancellor. In addition I chaired or served on several of the key University Committees and Chaired the University company RMIT International for several years up to my resignation from the University.

- I have been both an Executive Director and external Director of Public Companies. I was on the Board of Amcor Ltd one of Australia's largest public companies as an Executive Director for 6 years until I retired in 1998.
- I am currently on the Board of several private companies and a partner in my present business.

The views I put to you today have been shaped by my first hand experiences in all of the above environments.

I have been asked to provide to you today a business view of University Governance. I am pleased to do that on the basis that I come from "business"

However this does not mean that I necessarily want to impose the way business does things on University Councils and administrations . The track record of Boards in the private sector over recent years hardly qualifies business to preach to the University sector or any other sector for that matter.

Some of the more spectacular failures in the private sector do however provide some learnings for those involved in University governance. Many of the recent examples of governance failure in public companies have one or both of the following factors in common:

- The Board has had insufficient understanding of the business to know if the information it was receiving was a true reflection of the company's state of affairs and

accordingly relied on what it was told by the Chief Executive.

And/or

- There was a breakdown in relationships among members of the Board to the extent the Board ceased to be able to carry out its role.

Any organisation that has a headstrong CEO with a large ego coupled with a Board composed of people who either have vested interests or who do not have the time or the capacity to understand the business of the enterprise is vulnerable.

The complexity of Universities coupled with the current structure of most Councils makes them vulnerable to these risks. Major structural change in Council composition is required to reduce these risks.

The main changes that I would like see in University Councils are:

- A significant reduction in the number Councillors
- A major change in the composition of Council with the elimination of all internal appointments with the possible exception of the Vice-Chancellor.

I make these recommendations on the premise that the Council carries the ultimate responsibility for the stewardship and performance of the University on behalf of the community.

I know such ideas are not new and I have studied the arguments against such a model but let me comment on each of these recommendations.

- Currently the average number of councillors is 21 for the 39 universities covered in the Government review – Backing Australia’s Future. In my view a Board of this size is unworkable. It is just too difficult for a group of this size to work effectively as a team. What happens in practice is that the workload of council is shouldered by a hard core with those on the periphery coming along for the ride.
- I would suggest a Council size of about 12 which is large enough to accommodate the necessary diversity of backgrounds so important to a University but small enough to work cohesively.

Let me talk about the composition of Councils.

- The Higher Education Review reported that 34% of all council positions were filled by elected representatives with less than half - 47% being appointed positions. The remainder - 19% are filled ex-officio.
- All Universities in Australia have a strong component of interest groups on Council. These people are elected by academic staff, non-academic staff or students or they are appointed by State Governments to represent the broader community. Such people are in most cases conscientious in setting about their responsibilities but are often not equipped to be part of the governing body of a University. In my view we need to develop another forum, perhaps an Advisory Board, to provide the avenue for input from these

important University stakeholders into the governance process.

- In my 10 years on Council I rarely saw a Student Councillor who made any meaningful contribution. They generally did not participate in committee work and did no more than occasionally go through set pieces at Council meetings. I was always impressed at the courtesy and tolerance extended to them by their fellow councillors and it was not always reciprocated.
- Staff members are in a difficult position on council. Notwithstanding most understand their obligation is to the University as a whole rather than to those who appointed them, the inherent conflict that arises from time to time makes it difficult for them to contribute on many crucial issues.
- Ministerial appointments to Council are often regarded with suspicion and the appointment of Members of Parliament to Councils was in my experience a waste of time.

So, having said who should not be on Councils...who should be on Council?

Let us start by looking at what the function of council is.

There has been much material published about the role of Boards recently both in the context of Universities and broader entities but there seems little disagreement on some fundamentals and I refer to guidelines promulgated by the Australian Stock Exchange as follows:

- A Board or Council should be able to discharge its statutory responsibilities
- It should be able to add value to the organisation for which it is responsible.

And the guidelines go on to say:

This requires that the Board or Council;

- Has an understanding of and the competence to deal with the current and emerging issues of the organisation
- Can effectively review and challenge the performance of management and exercise independent judgement.

To my mind at least two things flow from the above.

- The first is that it is difficult to have internal appointments as part of such a body as some will not have the breadth of experience necessary for the role and it is impossible for any such members to be independent.
- Accordingly a University Council should comprise appropriately experienced external members plus I would admit the Vice-Chancellor. I need to say here that under the criteria that I am putting forward many current external members of University Councils would fail to meet the required standards

I notice that the AVCC in its policy statement on University Governance seems to accept the fundamental governance principles set out above but it also tries to accommodate the representational model in its position. In the final analysis I

think the position of compromise is untenable if Universities are to be subjected to best governance practice.

I do not intend that these recommendations be interpreted to mean councils should be populated only by accountants or business people. In a Council of 12 there is ample room to admit people who have experience in the Higher Education sector, experience in public sector administration, experience in teaching and research as well as people with strong commercial, financial and strategic skills. The real challenge will be to attract such people to join University Councils.

The demands on Council Members under a model as set out above will be significant and to make the model workable I see some changes to how Councils operate as follows:

- Council would set out a charter which clearly spelt out the respective roles of the Council and the Vice-Chancellor, specifying clearly those matters reserved for Council only e.g. approval of budgets, sign off of accounts, monitoring of performance, approval of capital expenditure, approval of strategic plans, appointment and remuneration of the Vice-Chancellor etc.
- The broader stakeholder interaction that is important to Universities could occur through an advisory council or some similar body. The deliberations of this body would be available to the Council and would also influence the Vice-Chancellor and the academic and non-academic staff in how they run the university and develop curricula consistent with the demands and needs of our society.
- I would also recommend the establishment, perhaps with statutory authority, of a new role of Chief Financial Officer who has a relationship with the Council similar to that

enjoyed by Chief Financial Officers in public companies. It has always been a matter of some surprise to me to see the senior finance role in some universities reporting a DVC Resources or similar who in many cases was not financially qualified

- Under the model put forward today Council would work differently if not harder, with the work being more evenly shared over the entire Council.
- In order to attract suitable candidates to Council members would need to be remunerated at levels consistent with their experience.

Let me conclude this morning by making a plea for those of you out there involved in Universities to be open to changes that will improve the way our Universities are run. I know there will be argument about what we mean by improvement, but my experience of seeing first hand a Council come under great stress as result of divisions essentially between most of the external council members and the remainder of Council over some fundamental issues tells me that the current model is in need of change.

I know change is painful and difficult. Most of us are content to embrace change as long we are making it and it is not being made to us. Being the Changer is always more fun than being the Changee. However Universities seem to find some change extremely difficult to accommodate. Sometimes this is due to the strong Union influence in which reaches up to high levels in universities. Or sometimes it is because parts of Universities place an absolute premium on their view of independence.

This attitude by some University staff is reflected in a letter to the Editor of the Financial Review of Monday 8th November

2004. The letter was written in response to some of the recent ideas floated by Brendan Nelson about the Higher Education Sector.

The letter said in part....

“Where is the morality, the legitimacy, or the mandate for imposing such disruptive changes against the wishes of the Australian Vice Chancellors Committee, the staff and the students in the sector.”

The author, who undoubtedly works in a University, does not acknowledge the interests of any external stakeholders such as employers who absorb most graduates, the taxpayers who ultimately fund the Universities or the Government which is elected by the community at large to make these important resource allocation decisions.

It will be difficult to make progress where such self-indulgent attitudes are allowed to take hold. It will take strong Councils and enlightened Vice Chancellors to overcome the inertia inherent in the views expressed by the letter writer.

Notwithstanding all that I have said to you this morning, my experience of being on a University Council was overwhelmingly positive and has been one of the most satisfying parts of my professional life.

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