

# **Management and finance reforms in the UK**

## **Possible lessons for Japan**

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**May 2008**

# **A. Reforms in the UK since 1980**

- 1. Context**
- 2. Changes in funding during the 1980s**
- 3. Jarratt recommendations on good management**
- 4. Subsequent changes (1990s)**
- 5. Unfinished business**

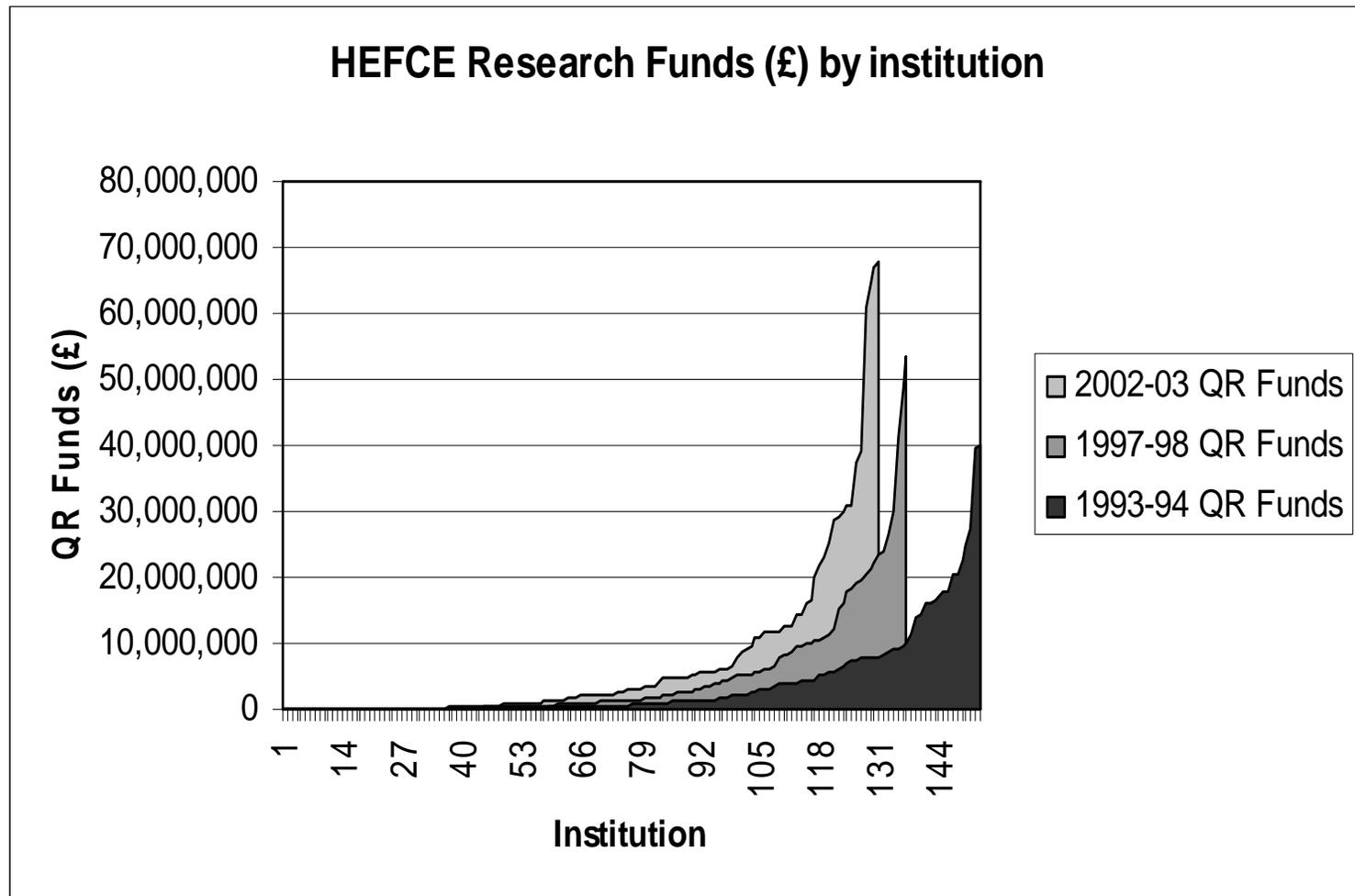
# 1. Context

- Universities seen as self indulgent, with inadequate accountability for their public funds
- Strong political pressure to increase average SSRs (was 9:1 in 1980; now 16:1 ~ OECD average)
- Pressure for universities to serve the needs of the nation - in teaching and research
- Need to continue to expand the system after two decades of growth, but public funds now limited
- Global trend to recognise that universities are large organisations that need good management

## 2. Changes in funding in the 1980s

- Efficiency pressures from funding cuts in 1981
  - average efficiency requirements about 5% p.a. for 3 years and then 2% p. a. thereafter; maybe too fast?
  - applied very unevenly: ranged from 12%p.a. to 3%p.a.
  - limited strategic thinking in universities about the cuts
- Split funding for teaching from funding for research
- Funding teaching based on student numbers
  - only recently used as policy lever (eg for wider access)
  - and not related to quality (except in extreme)
- More selective funding for research
  - based on excellence, but rationale not well explained

# 2a. Research funding: distribution of infrastructure funds



# 3. Jarratt recommendations on good management (1985)

- Universities to have an explicit strategy
  - based on internal and external analysis; not reviewed, so not taken seriously
- Single planning, priorities and resource allocation
  - based on strategic goals, not incremental (as in the past)
- Monitoring system and data, eg on finance and staffing
- A management structure with responsibilities
  - ‘President’ equivalent to ‘Chief Executive’ of large organisation
  - Deans and Heads of Departments as managers, not necessarily academic researchers
  - selected (not elected) as best person for the management job
  - accountability for role in university (rather than to build their subject interest) – “or will damage the university long term”
- Better external accountability to the governing body
  - initially weak, took time to grow

## 4. Subsequent changes (1990s)

- Polytechnics removed from local government (1992)
  - given autonomy, with independent governing bodies
  - more or less equivalent to universities – resulted in ‘academic drift’
- Student numbers continuously increased, but at reducing unit costs
- More emphasis on teaching and quality assurance
- Stronger accountability role for external governing bodies; now accepted
- Introduction of ‘real’ tuition fees (‘98); but with an upper limit
- Promotion of innovation and ‘3<sup>rd</sup> stream’ work (‘99) – to help with the needs of the nation

# 5. Unfinished business

- Too little difference in roles (eg regional)
  - image wins over markets and reality
- Staff appraisal/development
  - still very weak; limited use of student feedback
- Teaching quality
  - little attention; no incentives
- Research
  - many still have unrealistic picture
  - limited understanding of ‘scholarship’ as a need for teaching (and not ‘research’)
- Labour markets
  - still peripheral in thinking about under-graduate programs
- Links with industry
  - seen as income generating and not as strategic
- Tuition fees
  - not ‘market’ based

# **B1. Reform lessons at national level**

## **Aspects done well**

- Funding methods now based on performance
  - considerable improvements in efficiency
- Enhanced QA for teaching
  - although results little used
- Good national monitoring data on financial health
  - although timid follow up
- Changes helped by the provision of public funds to assist with 'early retirement'

# B2. Reform lessons at national level

## Weaker points

- Much time and good-will was lost from resistance that was ill-informed (eg on tuition fees)
- The changes seen as politically driven ‘cuts’ and mindless ‘managerialism’
  - could have been much better presented with an analytical rationale
- No encouragement to universities to develop different roles for different diversity ‘markets’ (eg regional roles)
- Research selectivity not explained as being to help UK’s world class research by focussing on the best
- There was also an attitude that “it will all go away if we wait long enough”
  - academics failed to understand the drivers for the changes
- ‘Efficiency’ may have been pushed too far when there were no strong safeguards for the quality of teaching

# **C. Reform lessons at university level**

- 1. Strategic thinking**
- 2. Planning, resource allocation and monitoring**
- 3. Planning process**
- 4. Resource management**
- 5. Decision making, good management and committees**
- 6. Academic managers**
- 7. Central administration**

# 1a. Strategic thinking

## Concept and process

- Insufficient thought and analysis about university objectives
  - and very strong ‘academic drift’
- Little attempt to think about their own priorities, but let events determine them, for example:
  - copying the central funding model led to closing Physics
  - chasing demands of students without analysis led to too much ‘Media studies’
- Universities too driven by published league tables
  - UK league tables skewed to research; encourages ‘transfers’
  - should think about the league they want to be at the top

# 1b. Strategic thinking

## Weakness on university issues

- Should courses be broad or deep?
  - little university thinking about interdisciplinarity
- Which student markets to target?
  - all universities tended to go for the same ones
- What balance between teaching and research?
  - little explicit thought at a strategic level; academics allowed to set their own balance – normally weighted to research
- What role should the university play in its region?
  - almost all thought of themselves as ‘national’ universities
- Which competitive funds to bid for?
  - most universities bid for most funds with no reference to their own strategic position
- Which fields to focus research efforts for excellence?
  - No strategic thinking about which research funds to pursue

## 2. Planning, resource allocation and monitoring

- New approach to planning was difficult
  - start from activities and outputs, not just inputs
  - needs clear priorities
- Some allocated resources internally by formulae
  - no strategy or thought if the university used the national funding formula
- Devolved authority to Faculties or Departments
  - often done too quickly, with no training and inadequate monitoring of the use of inputs (staffing and finance)
- Consequences of these weaknesses
  - about one third of universities came close to being bankrupt
  - about 10 did become technically bankrupt and had to be rescued

# 3. Planning process

- Problems with design of planning process
  - ‘top down’ seen in conflict with ‘bottom up’ – naïve; need both
  - tended to use history as the main basis for the future
    - not think about future priorities (‘too difficult’)
    - nor refer to past performance (‘too contentious’)
  - difficult to put planning process into practice
- Strong power bases resented being treated as a part of the ‘whole’ university – no sense of ‘collegiality’
  - ‘factionalism’ - reinforced by devolution to Departments
  - inhibited development of cross-disciplinary courses
- Weak on deciding what information needed for planning and monitoring (internal and external)
  - little analysis of external signals
  - not know total resources for activities
  - poor monitoring data on expenditures and commitments
    - data requirements not well defined – by IT department
    - designed MIS (Management Information System) backwards

# 4a. Resource management

## Academic staff

- The management of academic staff and their time is critical when funds are limited
  - course rationalisation released some academics
  - streamlined administrative processes
  - abolished unnecessary committees and meetings
- Appraisal and development process for academic staff
  - challenged academics who had an unrealistic self image
    - especially about their research
    - ‘scholarship’ work needed for good teacher - not need ‘research’
  - role of ‘accountable teacher’ rather than ‘independent scholar’
  - assessment of teaching quality with feedback from students

# 4b. Resource management

## Finance

- Antipathy to matters of finance; seen as unimportant
  - no respect for professionals; supervised by (amateur) academics
- Weak central monitoring of expenditure
  - especially important if financial authority was devolved
  - one of the main causes of some of the major bankruptcies
- Financial devolution to Faculties/Departments
  - good management needs cost centres; probably done too quickly
  - Deans and Heads of Department not experienced in financial management – and had virtually no training
  - levels of delegated authority not well defined, nor always followed (eg for appointments of academic staff)
  - zealots (eg management consultants) proposed internal charging
  - financial delegation inhibited interdisciplinary course development
- Financial climate was to look for new sources of funds
  - weak on concept of pricing – and naïve
  - unrealistic expectations about financial returns on spin offs etc.<sup>17</sup>

# 5. Decision making, good management and committees

- ‘Equal misery’ decisions and freezing random posts after the 1981 cuts showed poor decision making
- Needed quicker, better based decisions when finance limited and more competition (for students, academics)
- ‘Management’ seen as contrary to academic ethos
  - irony that good management is truly collegial and not ‘consensus’ in which everyone argues only for their own interests
- More decisions as individual responsibility, not a committee
  - unclear which committees advisory (and to whom) and which executive
  - confusion about role of ‘Senate’
    - academic matters, but not finance
- Numbers and length of committees/meetings grew initially
  - later realised many committees not needed, some abolished, and better chairmanship

# 6. Academic managers

- Need academic managers in autonomous universities
  - President, Vice Presidents, Deans and Heads of Department all have management roles
  - and ‘reporting lines’ for accountability – a new concept
    - President has responsibility for the university, so need to define his/her accountability (to the Council, in UK)
  - ‘hybrids’ in US universities have experience of academic matters and of university management
- Descriptions of the (new) management jobs
  - so selectors and potential candidates know what is required
  - election process not good to find best candidate – but can help
- Little management training
  - partly due to arrogance: “I don’t need it”; “it’s all obvious”; “I am far too busy/clever”
  - senior post holders failure to understand good management was main cause for universities to be bankrupt
- Governing Body outsiders can support management
  - mentor from their experience of running large enterprises
  - outsiders slow to see what they could offer

# 7. Central administration

- Much more important in autonomous universities
- Need for high quality professionals, especially for finance
  - Director of Finance often second highest paid post in a university
  - professionals sometimes ‘supervised’ by an (amateur) academic
    - yet an academic historian would not accept supervision by a physicist in his own field
- Professionals also need to be accountable – eg to the President, perhaps via a (professional) Vice President
- Central administration services need a ‘service’ culture, recognising academic departments as their ‘clients’
  - sometimes the culture was the other way round

# Conclusion

- **The UK university system has been through many of the reform changes now being experienced in Japan**
- **And not only the UK; many other countries are at various stages on the journey down this road**
- **All the roads are in the same direction**
  - **the problems have their local characteristics, but there are lessons that can be learned from the experiences of others**
- **One thing is quite clear: the road is long and sometimes difficult; there are no short cuts**
- **But it is worth it to be successful in the global 21<sup>st</sup> century**

**Happy journey!**