

A passing storm, or permanent climate change?

Vice-chancellors' views on the outlook for universities



Lewis Carroll, *Through the Looking Glass, and what Alice found there*, Macmillan & Co, 1872 © Macmillan & Co Ltd. © thanks to Macmillan Children's Books

This report summarises and analyses the results of a survey of all UK university vice-chancellors and other heads of higher education institutions¹, undertaken in June and July 2010. The survey was sent to 155 institution heads, of whom 43 responded.

'Keep calm and carry on'

This phrase could serve to summarise the attitudes of university vice-chancellors towards the stormy economic and policy outlook for the higher education (HE) sector today. Certainly the signals are mixed and difficult to read. Despite facing the prospect of deep cuts in public funding and big changes in its competitive environment, the HE sector as a whole is currently in good shape after 10 years of sustained growth in student demand, public funding and accumulated surpluses.

Many observers, ourselves included², predict that recent and forthcoming developments in the funding and policy environment pose fundamental challenges to universities' whole way of working. Others disagree, observing that the sector has weathered major funding and policy upheavals in the past, with remarkably few casualties or lasting damage, and can do so again.

In order to explore these divergent perspectives, we undertook an on-line survey of university vice-chancellors to elicit their views on the impacts of emerging funding and policy changes for the sector, and their expectations and plans for their own institutions. We received 43 responses, representing some 28% of university heads, distributed across all sizes of institutions and across the sector mission groups. We were able also to compare the responses with a broadly similar survey that we conducted in 2004³.

¹ We refer from here on to universities as a shorthand for all higher education institutions (HEIs) and to vice-chancellors as including all heads of HEIs.

² See, for example, our paper *Escaping the Red Queen effect – surviving and thriving in the new economics of HE* (PA Consulting Group, 2009).

³ *Survival of the fittest: a survey on the leadership of strategic change in higher education* (PA Consulting Group, 2004).

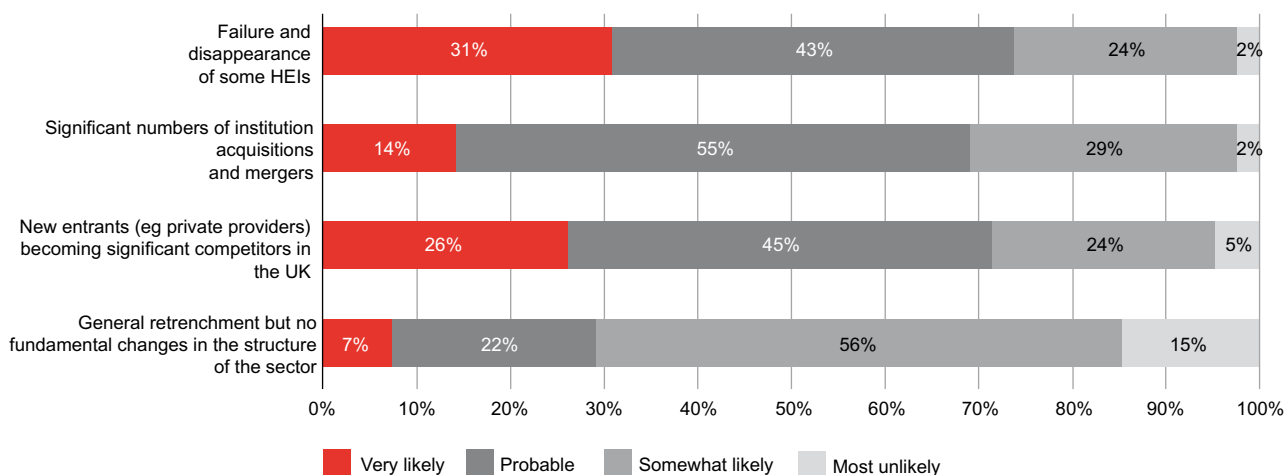
While the responses received were as diverse as the universities represented, there were four recurrent and apparently paradoxical themes:

- Most vice-chancellors expect that forthcoming funding cuts and competitive pressures will precipitate institutional failures and significant restructuring of the sector through mergers and acquisitions – but almost none expect their own institutions to be involved in such changes, and most expect their university to be recognisably the same as today in five years' time
- There is widespread expectation of deep retrenchment across the sector, leading to substantial reductions in the range and scale of teaching and research provision – yet a strong majority of respondents nonetheless identified growth in current teaching and research activities as a major source of future opportunities
- Almost all responding vice-chancellors believe that their institutions have effective leadership and governance, with a clear view of changing market trends and conditions for success and on what needs to be done to meet them – but this confidence seems not to extend to their views of their staff, with a majority of respondents citing resistance to change and the need to reform staff cultures and working practices among their top concerns

- Although respondents were broadly confident that their universities are in good shape to respond to the changes needed, most expressed concerns that their operating processes and information systems, and the management and business skills of their staff are inadequate for future needs; lack of funds to invest in these areas is seen as a major constraint by many vice-chancellors.

We explore and discuss these findings, and the apparent paradoxes, in the rest of this paper. It is interesting that the responses described here are very similar to those reported in our 2004 survey, also carried out at a time of major policy and funding shifts (though without the same threats to levels of public funding). Universities, individually and collectively, have demonstrated a remarkable capacity to bend to the winds of change in their environment, and their leaders clearly have strong belief in their abilities to continue doing so in years to come.

The HE sector is facing unprecedented changes in funding, policy and markets. What in your view will be the likely impacts of these changes for Higher Education Institutions (HEIs) over the next three years?



Surviving amid turmoil

A strong majority of vice-chancellors expect major structural disruptions in the HE sector over the next three years, but very few anticipate these affecting their own institutions.

We asked respondents for their views on the likely impacts of expected changes in funding, policy and markets for HE institutions:

- 74% thought it probable or highly likely that the next few years will see the failure and disappearance of some HEIs, although 26% thought this scenario somewhat or highly unlikely
- A slightly smaller proportion foresaw significant numbers of institutional mergers or acquisitions; 69% thought this a probable or highly likely outlook, although 31% disagreed
- A similar proportion of respondents (71%) agreed that new entrants, in the form of private HE providers, will be an important force in the next three years, with only 5% seeing this as highly unlikely
- Only a minority (29%) agreed that the sector faces a period of general retrenchment but no fundamental changes, while over 71% thought this a most unlikely prospect and expected more far reaching changes.

Given this widespread prediction of significant structural changes in the organisation of HE, it might be expected that an equally significant proportion of institutions would anticipate being involved in these changes.

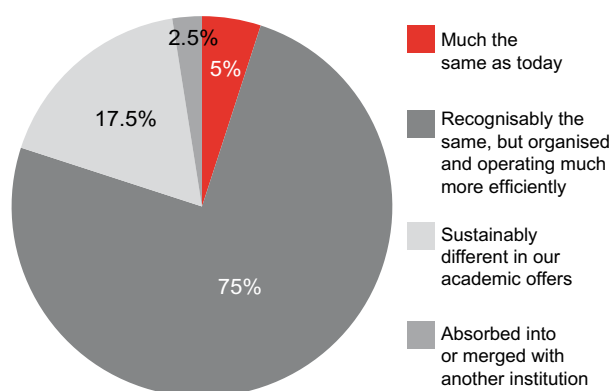
But in fact, relatively few did so. Fewer than 14% of respondents placed growth through acquisition or mergers among their strategic priorities, although over two-fifths (42%) expected to develop partnerships and collaborations with private sector providers. The great majority of respondents (75%) expect their university to be much the same as now in five years' time, with fewer than 18% envisaging substantial restructuring and only one institution anticipating merger with another provider. Several commented that while they did not foresee major structural changes over a three-year horizon, they would expect much greater changes over the next five to ten years.

Respondents' main concerns over market changes related to the expected rise in the number and impacts of private providers, and the associated increase in competitive pressures.

These responses suggest most vice-chancellors are markedly more sanguine about the possible impacts of funding and market changes on their own universities than they are for their peers. This may simply reflect a view that disruptive changes will impact most on the 'tail' of weaker institutions, leaving the majority relatively unaffected. Or, it may reflect a degree of scepticism, having seen past predictions of collective doom turn out as no more than passing storms. But it sits surprisingly at odds with sector leaders' predictions that the sector is "staring into an abyss".⁴

⁴ Prof. Steve Smith, chair of Universities UK, as reported in Times Higher Education, 29/07/2010.

Looking five years ahead, what are your expectations for your institution?



“As a teaching-led institution, we are aware that we could be vulnerable to private providers that focus on a new teaching model.”

“Our only significant concern is that the rise of the for-profit sector and increased competition from an increasingly commercialised public sector will squeeze us.”

Looking beyond the storm clouds

Most vice-chancellors expect that spending cuts will presage a period of retrenchment across the HE sector, with reductions in the range and scale of teaching and research activities. Two-thirds of respondents felt it probable or very likely that teaching and research offers will be cut back in the face of reduced funding, although a further third thought this unlikely. Some respondents predicted a general reduction in UK and EU student numbers, with the de facto participation rate falling back below 40% and the previous Government's 50% aspiration abandoned.

Despite these expectations of shrinking core business, many vice-chancellors remain optimistic that promising and sustainable opportunities for growth will still be found. The most commonly cited opportunity areas were continuing professional development (CPD), consultancy, research-based services and on-line and virtual learning provision. Over two-thirds (68%) of the responding institutions are planning to develop their international presence, whether through overseas campuses or through partnership arrangements.

A surprising finding, in light of expected reductions in teaching and research activities, is that two-thirds (66%) of respondents identified the growth or extension of current teaching and/or research operations as their most promising opportunity areas.

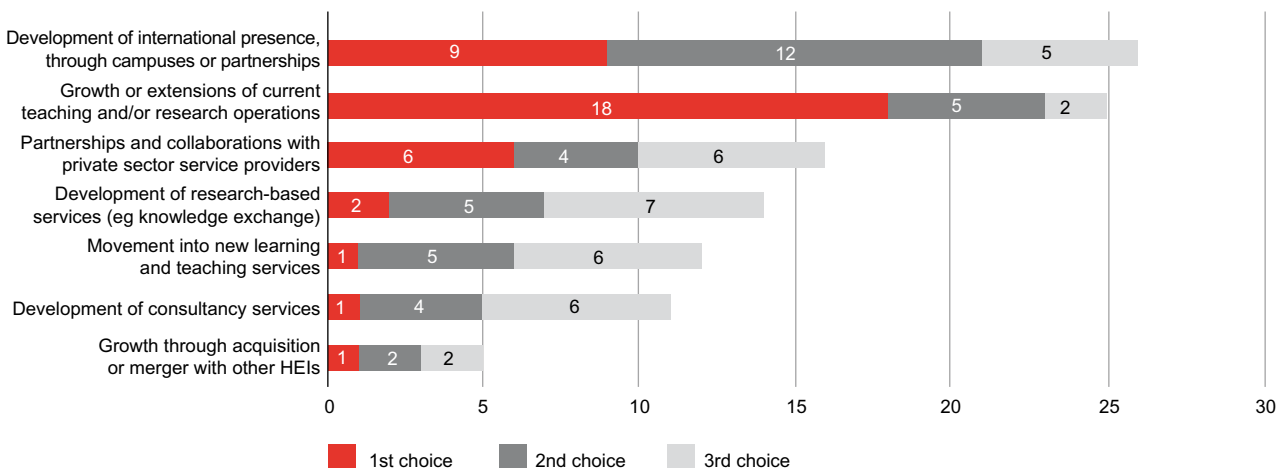
The greatest constraints to realising potential opportunities for growth and diversification were market uncertainties – over Government policy and funding (including fees), over international student demand, and over demand from business for education and research. Each of these was cited by over half of respondents.

There are also real concerns that Government attempts to shape sector responses will actually constrain positive reforms.

“The ‘mission drift’ we experience is wholly governmental – initiative upon initiative that creates additional work and distracts from our purpose.”

“Quality assurance and public sector regulatory body processes are unwieldy for fast, private sector-type responses.”

Looking beyond the challenges presented by the changing environment, where do you see the most promising and sustainable opportunities for your institution? (number of responses)



We're ready – but are they?

Vice-chancellors are mostly very bullish about their institutions' preparation for the tough times ahead. Over a quarter believe that their institution is already in good shape to weather future storms, and a further 62% say they have a clear view of what needs to be done and agreed plans for their responses. It is apparent that some universities have been anticipating and preparing for tougher times for several years.

Most respondents believe that their institution already has in place many of the core capabilities they need for the future: 55% believe they have fully-effective leadership capabilities, while 50% state that they have a fully-effective and supportive governing body. However, only 28% are fully confident of their ability to effect change across their institution, and only 17% feel they can call upon fully effective management and business skills.

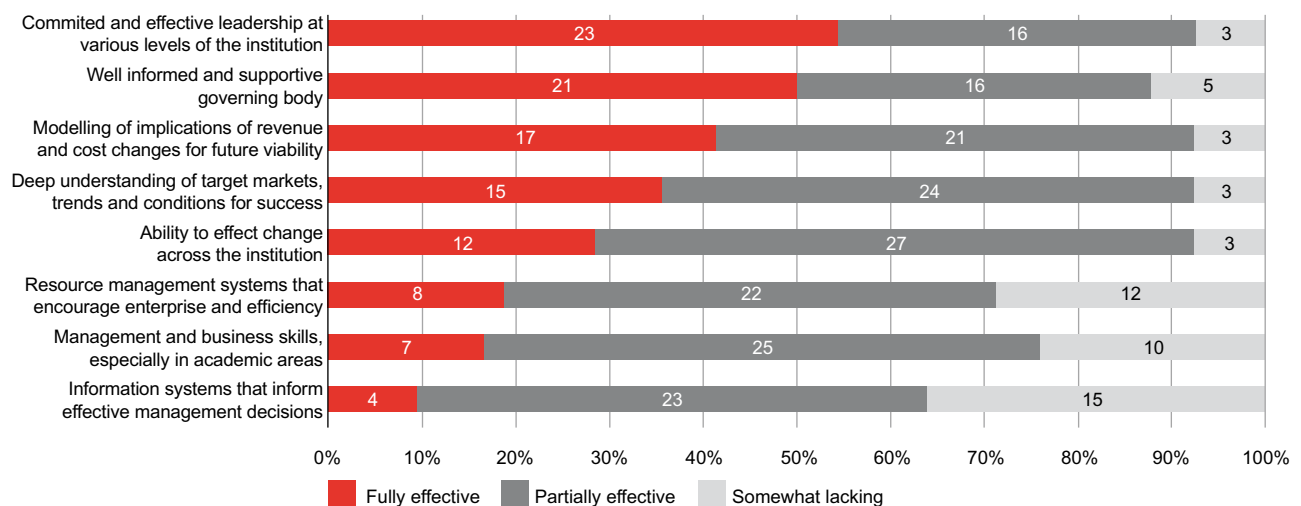
These two limitations are cited among the biggest constraints to realising necessary changes in operations and academic delivery. Over 60% of respondents cited inability to move or change intransigent staff among their three greatest internal constraints, and a similar proportion put leading changes in staff cultures and working practices among their top priorities for internal reform.

Several respondents referred to the fact that funding pressures and a climate of uncertainty can actually make it easier to push through organisational and cultural changes – what one called, “the opportunity for forward-thinking institutions to effect required changes through ‘crisis management’.”

“We have been in a state of readiness for three years.”

“We have been focusing our plans over the past three years and are positive about our direction and ability to respond.”

Do you believe that your institution has the core capabilities needed to determine and mobilise its response to future challenges?



Overhauling business systems and process

Alongside people-related changes, the legacy of outmoded operational systems and processes was cited among the greatest constraints to change by over half of respondents. Some 36% said that the information systems to inform effective management decisions were somewhat lacking, while a further 80% referred to deficiencies in their resource management systems as a basis for encouraging enterprise and/or efficiency.

It seems that most universities are implementing a range of organisational changes to overcome these internal constraints, although there is no strong pattern of priorities in this regard. Nine respondents (of 43) prioritised restructuring their academic organisation; 12 placed restructuring of support service operations among their top priorities; but only three said they were restructuring their top management organisations. A further 12 institutions prioritised the development of external academic partnerships and collaborations, often overseas.

Over 75% of respondents expected that new business models for HE operations and delivery will be probable or very likely outcomes from reforms in these areas – although a lack of funds to invest in these reforms is clearly a concern for at least half of vice-chancellors.

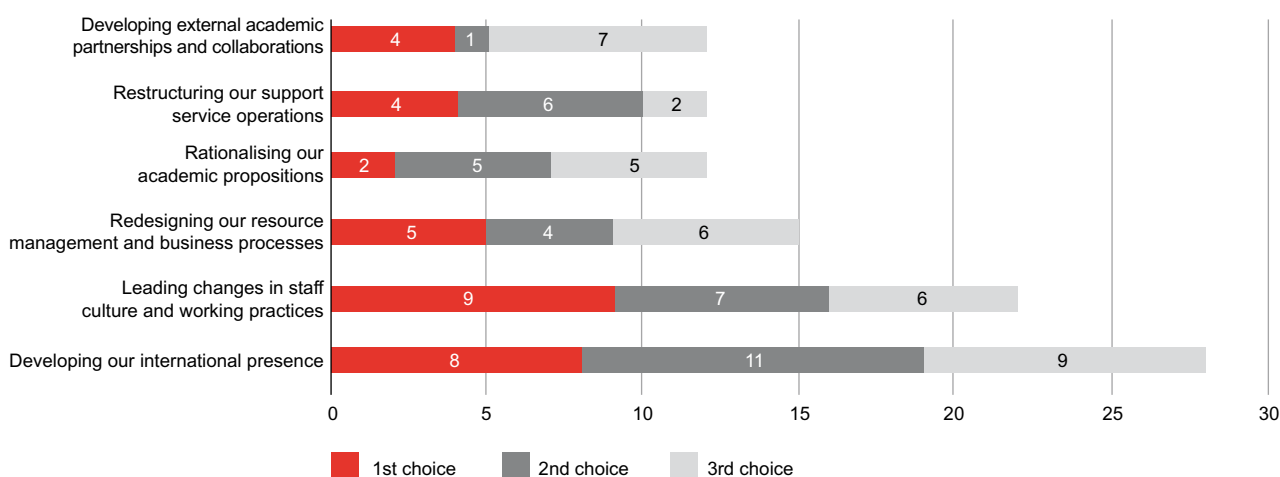
Fit for the future?

Surveys like this can never be entirely accurate barometers of the health and confidence of the whole HE sector. While we received a good level of responses, across a cross-section of institutions, this was a self-selecting sample. It might be that those feeling relatively confident about their institutional capabilities and outlook would be more likely to respond.

With this caveat, the emerging picture from this review is of a sector apprehensive about the uncertain funding, policy and market environment but nonetheless positive that there will be some blue skies between the clouds, and mostly confident that they will be able to adapt to the new climate. There was little reflection here of the predictions of imminent disaster made recently by some sector leaders.

This may imply that those predictions have been greatly exaggerated. Or it could reflect a sector in denial, or standing shocked in the headlamps of an oncoming revolution.

What are your top priorities for responding to emerging and prospective changes in your funding, policy and market environment? (number of responses)





Our major challenge is taking the whole academic body on the next phase of the journey, where the skill set, skill mix and working requirements will be very different from those in the past. Some won't be able to make the journey."

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