

New Zealand's tertiary education system – too much process, too little focus on purpose.

Comments for the Productivity Commission Review of Tertiary Education

Richard Norman¹, November 21, 2016

Introduction

I congratulate the Productivity Commission for taking a system view of the challenges facing New Zealand's tertiary education system. The diagnosis is clear and dramatic. The funding model for tertiary education has incentivised massive growth in the delivery of large, lecture-based classes for undergraduates while opportunities for more individualised and work-focused learning have declined. Silo-based behaviour by subject specialists has been encouraged during a period when work challenges are increasingly multi-disciplinary. The Performance Based Research Fund has overvalued theory-focused research for international journals at the expense of teaching and New Zealand-focused research. The funding system has led to major growth in managerial roles, diverting funds from the front-line work of teaching and research. A system devised in the early 1990s to shake up complacent organisations and boost productivity and transparency achieved remarkable growth in student enrolments but increasingly has produced perverse consequences, and is ill-suited for this era of digital disruption.

These comments are based on more than twenty years of researching the results of public sector reforms of the late 1980s, known internationally as 'new public management', and working with hundreds of public sector managers wrestling with the issues this system raises. In the late 1980s, private sector competition and market models were seen as the answer to 'reinventing government'. Now the model of funding adopted for tertiary education is almost as tightly controlled as funding for core government agencies. Student numbers and fees are controlled to prevent budget blow-outs, yet tertiary education managers continue to work within one year funding systems as though they are independent providers. Decisions about cross generation issues are being made within single agencies, mostly publicly owned, based on short term

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funding which has the perverse effect of reducing innovation and disconnecting tertiary educators from emerging work place needs.

Education is a service which needs staff and students to ‘co-produce’ results which are not easy to predict at the time of purchase. The government effectively supports more than 80 percent of this ‘market’ through funding for teaching, research and student loans subsidies. Philanthropic support is only one percent on average of total revenue, a very different context from that of the elite universities of the United States.

This ‘quasi-market’ has become a low-trust system based on cumbersome, short-term contracting and micro-management of reporting, which is failing to connect with employers, alienating significant numbers of tertiary education staff, creating stress and burnout among tertiary education managers and failing to innovate sufficiently quickly so that students can have future-relevant learning rather than easy-to-deliver lecture and examination-based teaching.

Instead of advocating more competition and more market remedies, I hope the Commission will review and challenge the underlying new public management philosophy that still shapes our tertiary education system. Almost every other part of the New Zealand public service has moved away from the 1980s and 1990s fervour for imitating private sector systems which are mostly focused on trading products not co-produced services. The health sector has moved largely away from the competitive funding model of the 1990s. ‘Markets’ for science funding and economic development are being replaced by funding which recognises the role long-term public organisations play in developing and sustaining quality services. The ‘Better Public Services’ framework, adopted with legislative change in 2011, shifted the goals for core public services from outputs to outcomes, with government setting broader goals and seeking more coordination across sectors. Tertiary education is the last major part of government still struggling with the legacy of an outdated system.

‘Policies that are 20 years old... can always be assumed to have become obsolete.’

This quote comes from Peter Drucker, often referred to as the father of management studies, in a foreword to a 1983 reprint of *Concept of the Corporation*, a book based on research at General

Motors (GM), which established his reputation in the 1940s. His daughter Cecily Drucker wrote in June 2009 that GM managers had treated policies as ‘principles’ that were valid forever. At that stage, after the global financial crash, GM was effectively Government Motors, and dependent for its survival on the United States government. The question for the company was, as the article’s heading put it, ‘Will GM ever take Drucker’s advice?’²

There is a clear parallel here with new public management, defined as the use of private sector methods for managing public services, which was adopted comprehensively by New Zealand through its State Sector and Public Finance Acts of the late 1980s. A recent review of the long-run results from these methods in Britain (Hood and Dixon, 2015) concluded, after careful comparisons of costs over thirty years, that ‘far from falling, running costs rose substantially in absolute terms over thirty years, while complaints soared’ (P78).

The variety of systems issues documented in the Commission’s report capture a system which has sought to remove the human element and create an impersonal, self-correcting market which would foster innovation and continuous adjustment. This system prompted serious innovation in its early period, but has become as entrenched as the bureaucracy it replaced.

New public management is effectively the ‘scientific management’ model introduced into American manufacturing in the early twentieth century by Frederick Taylor. This model for thinking about management involved separating work into ‘thinking’ and closely supervised ‘doing’ roles. At the core of the tertiary education funding system is this type of separation, with policy-makers setting directions and then seeking competitive bids from ‘deliverers’, frontline teachers and researchers such as myself who are separated from policy by several levels of management within their own organisations and a many decision-making committees organized through the Tertiary Education Commission and subject related policy bodies.

As Tim Hazeldine from Auckland University showed in his submission to the Productivity Commission, the result of such splitting of roles has inevitably been a significant increase in

² Business Week June 22, 2009.

http://www.businessweek.com/magazine/content/09_25/c4136feedback234388.htm?chan=magazine+channel_buss+views Accessed September 29, 2009.

managerial roles within tertiary education institutions as they have had to market their distinctiveness and respond to micro-managed contracts. The EFTS model of 'market' funding incentivizes the large institutions to run ever more learning based on the mass processing of students through lecture and exam-based learning, which are the least effective forms of learning for the needs of organisations that increasingly require entrepreneurial skill and critical and creative thinking. Organisations which seek to customize themselves to fit niches in a fast-changing workforce or serve workers needing change of career assistance have not been able to compete with the distortions this funding model has created. Wellington's Dev Academy, run by the Enspirial social enterprise co-operative, is a good example of a new entrant to this field that has developed a short and work focused course as an alternative to lecture based learning and is an example of innovation but which is effectively excluded from a period of capped funding. The EFTS funding, which enables large universities to cross-subsidise programmes for the organisational market, has largely driven out of business once important employer-supported initiatives such as the Institute of Management and College of Management. When funding is based on student numbers and three-year degrees, the business logic is to provide these, not short courses well integrated with employer needs.

The changing nature of tertiary education can be seen in this model, Figure 1 (From p32, Cameron at al, 2006).

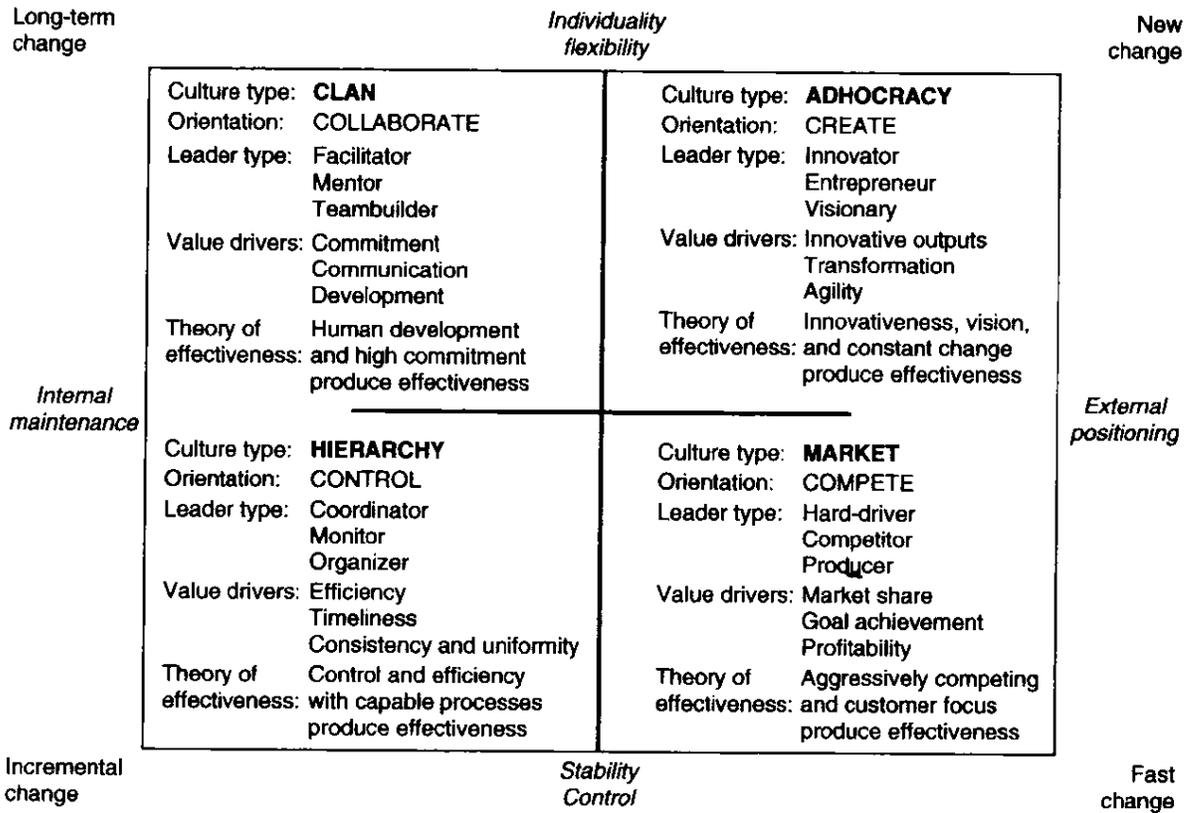


FIGURE ONE:

The Competing Values Framework – culture, leadership, value drivers, and effectiveness

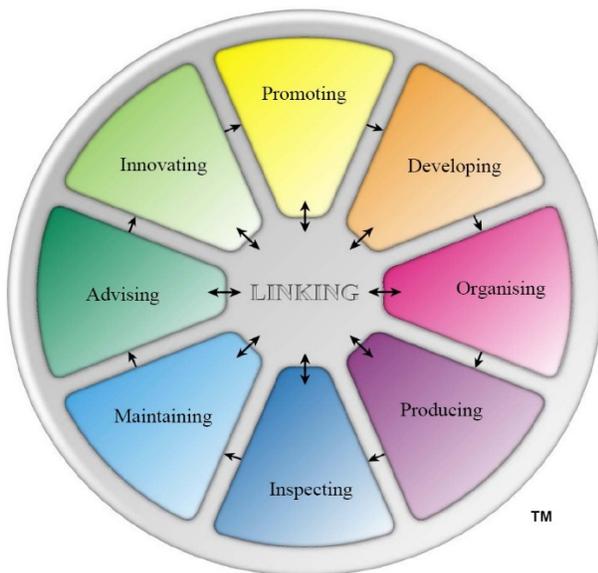
Prior to the changes of the early 1990s, tertiary education was largely a ‘clan’ and hierarchy culture based on input funding. The aim of the changes of the late 1980s was to shake up entrenched bureaucracies and force them to look outwards to avoid ‘capture’ by their staff. This shift to market-like funding initially fostered innovation as new and existing educational organisations became very agile at creating new courses and attracting new students, to such an extent that governments became concerned about value for money and the overall fiscal costs. Hierarchical control was reintroduced in 2006 with controls over student numbers and fees to such an extent that tertiary organisations have since been operating in a pseudo-market. The ‘market’ still emphasizes funding on a very short-term basis of fluctuating student numbers, while the government controls virtually every aspect of tertiary organisation activity except for capital investments in buildings and fees from international students. During this process of increased managerialism, the ‘clan’ culture has been replaced by managerial controls, focused on

numbers-based information for the Tertiary Education Commission requirements, and internationally focused external reviews or accreditations. Benefits of the former clan culture included informal networks of staff across subject disciplines, and a ‘give and take’ culture of reciprocity among long-standing staff with a commitment to their organisation’s purpose and mission.

Figure Two, the Team Management System, is a useful way of identifying how this system has evolved because of the managerially and numbers-focused funding system.

Figure Two

Team Management styles. ³



- Advising** Gathering - reporting information
- Innovating** Creating - experimenting with ideas
- Promoting** Exploring - presenting opportunities
- Developing** Assessing - testing applicability of new approaches
- Organising** Establishing - implementing ways of making things work
- Producing** Concluding - delivering outputs
- Inspecting** Controlling - auditing the working of systems
- Maintaining** Upholding - safeguarding standards and processes

³ <http://www.tmsworldwide.com/tms07.html>. The Team Management profile system developed by Charles Margerison and Dick McCann.

With the EFTS and PBRF systems, tertiary education managers have been forced into roles of organizing, producing and controlling. The skills and attributes most required include:

Organisers implement, are quick to decide, results oriented, set up systems. They make things happen, take action via deadlines, will exert pressure and is impatient, and may overlook people's feelings.

Inspectors are practical and production-oriented, like schedules and plans, take pride in reproducing goods and services, value effectiveness and efficiency. They are time conscious and follow through to the end, dislike change, prefer routine, make schedules work.

Most teaching and research staff in tertiary education have been attracted into their roles because of personal satisfaction from the development of students and the open-ended quest for knowledge. Motivation for work comes from the ability to advise, innovate, explore and develop or provide development support for students. Unsurprisingly, those who have gravitated to managerial roles have been those with a preference for organisation, producing and controlling.

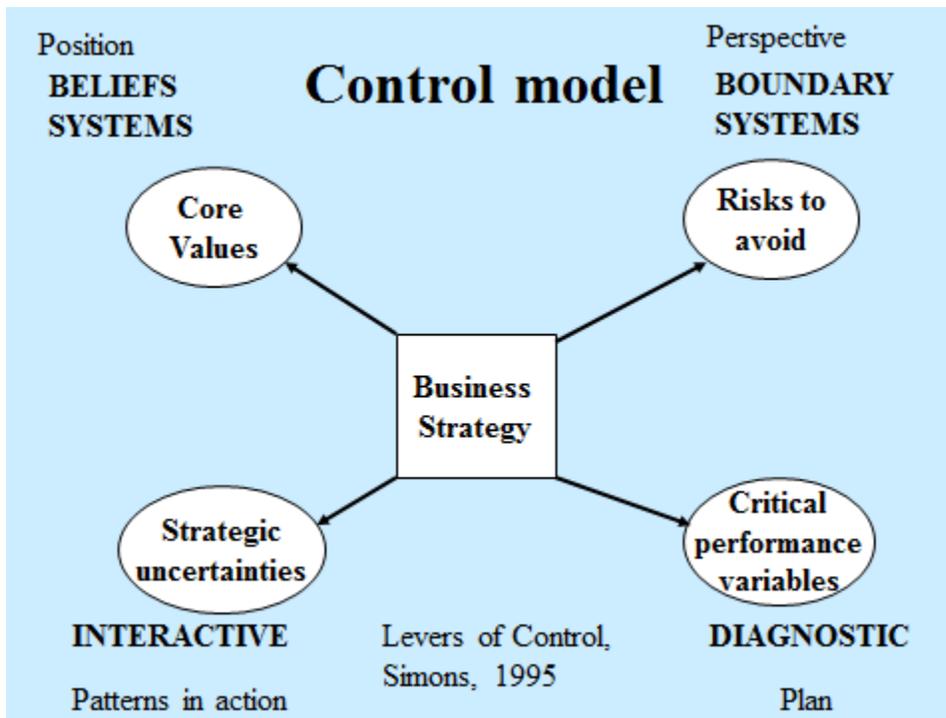
The funding and performance system effectively creates the supervisory relationships of the American car manufacturing sector, which failed in the face of high-engagement quality management systems used by Japanese and European competitors. Knowledge organisations operating in diversified markets with multiple potential funding sources – such as advertising agencies, software designers, consultancies, law firms and accounting firms – know that their people are their only asset, because those staff can easily set up in competition or move to a competitor and take major clients with them. This creates a pressure on those employers to ensure staff are motivated and engaged, and to develop high-trust workplaces.

Tertiary education is mostly not working in a market similar to such highly competitive and rapidly changing knowledge based companies. It is not a real market because government is overwhelmingly the only customer and the providers have few alternative sources of revenue. Decisions to 'buy' are very long-term and influenced by the perceived prestige of the providing qualifications or their geographic location. For many subject areas, staff are so specialized they have no alternative employer in the same city. Staff who provide the teaching and research have mostly committed their entire careers to a specialized direction, starting with studying and

researching for at least seven years in order to qualify for a first academic role. Speaking out and acting as a ‘critic and conscience of society’ is a risky career move within this managerialist system. Only Auckland has sufficient tertiary education providers to make it possible for disengaged staff to move to another similar role. Otherwise change requires moving to another city or country, something many staff are reluctant to do for family or community reasons. The unease among tertiary education staff has been shown in the surveys by the Tertiary Education Union.

This model, Figure 3, (Simons, 1995), identifies the importance of getting the appropriate balance with managerial systems.

Figure Three. Levers of Control



Using the lens provided by Robert Simons’ ‘levers of control’ model, tertiary education can be seen as over dominated by the right side of the model, focused on reporting and external controls as opposed to the motivating power of purpose. This is a system where diagnostics focus on individuals for their research performance, subject areas for their student numbers and

faculties for financial performance, and in so doing have driven out the intrinsic motivation which was once the reason most staff sought to work in this field.

‘If it weren’t for the people, the goddamned people, always getting tangled up in the machinery, this place would be an engineer’s paradise.’⁴

This quote, from a novel set in an American manufacturing plant, helps this teacher and researcher of human resource management and public management keep a perspective. The new Public Management was initially seen in the early years after the failure of communism as an accountable, transparent, innovative system replicating the strongest features of the private sector at its most productive.

A noted critic of the application of these theories to management was Summantra Ghoshal (2005, 75 - 82), who wrote that courses on ‘agency theory’ had

‘taught our students that managers cannot be trusted to do their jobs – which, of course, is to maximize shareholder value – and that to overcome "agency problems," managers' interests and incentives must be aligned with those of the shareholders by, for example, making stock options a significant part of their pay. In courses on organization design, grounded in transaction cost economics, we have preached the need for tight monitoring and control of people to prevent "opportunistic behavior" (Williamson, 1975). In strategy courses, we have presented the "five forces" framework (Porter, 1980) to suggest that companies must compete not only with their competitors but also with their suppliers, customers, employees, and regulators.’

‘These theories, in a quest to prove their ‘scientific’ nature, had led to ‘an explicit denial of any role of moral or ethical considerations in the practice of management.’

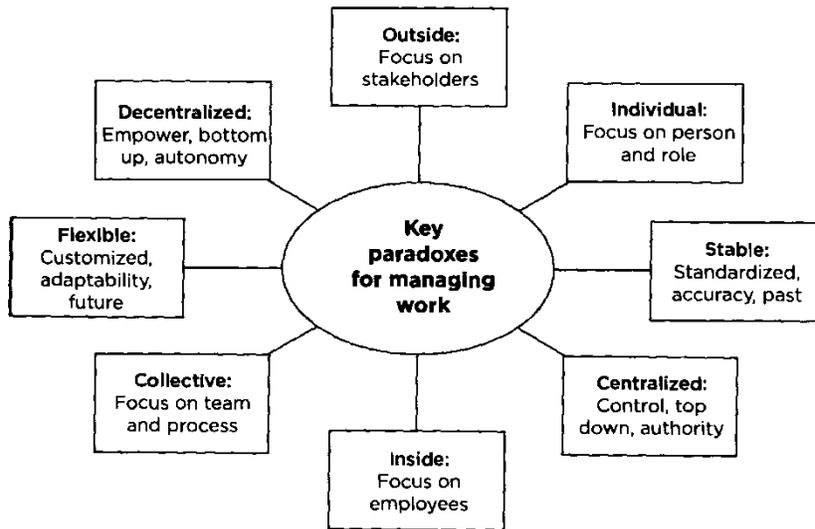
⁴ Kurt Vonnegut, *Player Piano*, 1952, a story which takes place in a near future society which is nearly totally mechanised, eliminating the need for human labourers. https://en.wikipedia.org/wiki/Player_Piano_%28novel%29,

The net result, Ghoshal believed was that these theories had been a self-fulfilling prophecy. If it was assumed that people would behave in a self-interested fashion, and systems were set up around those assumptions, they would foster self-interested behavior.

Another major researcher of the effect on organizations of self-fulfilling prophecies has been David Ulrich, who has highlighted how ‘command and control’ management is distinctly ineffective for knowledge organisations where staff engagement and co-production of results are critical for productivity. Like writers such as Simons (1995), Ulrich advocates that strategic leaders seek balance. The model below (Ulrich, 2015), presents challenges organisations face in moving from management systems focused on control to systems which enable creative response to the rapid changes of a globalized, digital era.

Command and Control	TO	Coach and Communicate
What I want you to do now is....		What do you think you should do?
You should have done...		Looking back, how would you do it differently?
That won't work; it will upset clients because...		What do you think the effect on our clients will be if we do that?
You need to get this done!		How can I help you make this happen?
You must change!		How can I help you change?

Figure 12.2. Paradoxes for Accomplishing Work



Management systems are a balancing act; as the Productivity Commission report so effectively demonstrates. The current system for tertiary education is a system which has moved strongly towards control and specification during a period when flexibility and team work are likely to be more effective for tackling the major changes of unprecedented technological change.

What principles might assist with a sustainable model for tertiary sector funding and delivery? One researcher who has a useful challenge for this public system is organization psychologist Lynda Gratton (2000: 16).

Her tenets about the distinctiveness of the 'people asset' help pose tough questions for a sector where people are effectively the only asset during a period when traditional physical lecture theatres and campuses are no longer the only way of delivering education.

First tenet: we operate in time

- Past beliefs, hopes and commitments influence our current behaviour: the 'memory of the past'.
- Current behaviour is influenced by beliefs about what will happen in the future: the 'memory of the future'.
- Skills and knowledge take many years to develop.
- Human development progresses through a shared sequence.

- Attitudes and values are resistant to rapid change.

Second tenet: we search for meaning

- We strive to interpret the clues and events around us, we actively engage with the world to seek a sense of meaning, to understand who we are and what we can contribute.
- Symbols, which may be events or artefacts [sic], are important in creating a sense of meaning.
- Over time groups of people create collective viewpoints, a sense of shared meaning.

Third tenet: we have a soul

- Each of us has a deep sense of personal identity of what we are, and of what we believe in.
- We can trust and feel inspired by our work – and when we do we are more creative.
- We can dream about possibilities and events.
- We can choose to give or withhold our knowledge – depending on how we feel.

The perspectives presented here are from subjects such as psychology, theology, sociology and anthropology. The subject I work with, Human Resource Management, is eclectic in its quest for ‘practical theory’ which can assist organisations with the challenge of achieving financial and commercial results while also engaging the commitment of staff and having reasonable life spans. Universities are among the longest enduring human institutions, evolving from churches, based initially on theology and creation of meaning, and dedicated to the pursuit of the meaning of life and possibilities for knowledge and the future. Productivity in a knowledge organization with the broadest range of subject experts of any form of organization in our communities is most likely to come from committed and enthusiastic staff . Submissions from current staff and advocates for tertiary education are dominated by a sense of weariness and disillusion. I would be very happy to elaborate on the questions which can be applied from the approach taken by Lynda Gratton.

Recommendations:

This system needs a restoring of ‘balance’ after a period of single minded focus on a quasi-market framework. A new leadership team at Victoria University, my base, is seeking to foster long term, cross disciplinary subjects for research and to achieve a balance between internationally focused research and engagement with its nearby civic community. Current national funding systems make such work difficult to achieve because they focus on research funds based on international journals and competition based on historic information about publishing. Funds based on student numbers are short term and erratic year by year, making commitment to long term work an institutional risk. The university has built significant public assets but receives most of its funds from taxpayers or subsidized students as a result of publicly endorsed qualifications. It is not easily removable unlike highly competitive know-how based sectors such as advertising, marketing or consulting.

In other sectors largely or totally funded by government, the Better Public Services framework adopted in 2011 has brought significant improvement to the broader public service, enabling staff to focus on broad and long term goals instead of focusing on narrowly controlled ‘outputs’. Prior to the adoption of the ‘better public services’ approach in 2011, a background paper observed that the public service of the time was ‘can do’ in delivering results that government wanted now, but weaker in ‘developing sustainable public policies and services for difficult, longer-run issues, particularly when these need the support of multiple agencies’.⁵ This was partly because the strongest incentives in the system were vertical – to fund and deliver objectives controlled by individual agencies – and this occurred at the expense of working horizontally across agencies. While these reforms of the 1980s had solved some problems of the time such as accountability, increasing transparency and lessening organizational inertia, the net result was:

- clutter (time-consuming and duplicative interests and processes)
- a large number of variably specified priorities across government which distracts focus from clear priority outcomes

⁵ From pages 5-6 of a paper prepared for the Better Public Services Review
<http://www.ssc.govt.nz/sites/all/files/bps-2256063.pdf>

- gaps (issues that no one is responsible for)
- cross-agency working which is too often exclusively dependent on the personal commitment of chief executives (and sometimes ministers), and
- barriers to priority and resourcing discussions from a whole-of-government perspective.

Issues such as these are evident in the submissions to the Productivity Commission. The answer is not more ‘market’ solutions but a rediscovery of the importance of purpose and motivation for knowledge and service-based roles, and removal of multiple managerial systems and processes which undermine such engagement. The Productivity Commission’s process of raising tough and fresh questions is an excellent example of the type of enquiry-based review which could and should replace the micro-management controls currently clearly frustrating many organisations and staff.

My recommendations are:

1. **Rediscover the motivating power of collaboration and purpose.**

Focus on ten year strategies for tertiary education organisations, the length of perspective required for local government planning. Develop these strategies with the expectation that core funding is long term, not low trust contracting as embedded through EFTS and PBRF funding. Move to organization based funding, as in the core public service and retain a pool of funds which encourage innovation and enable targeted responses to rapidly changing work places.

2. **Establish review systems which take a ten-year perspective** for public funding of tertiary educators, with a process similar to that of the Productivity Commission and the period reviews used within tertiary education for subject delivery.

3. **Recommend stopping the Performance Based Research Fund** as an exercise which has separated research from broader tertiary education goals and re-integrate this funding with that negotiated long term with organisations.

4. **Encourage and create specific funding for workplace connections** and apprenticeships for degrees. Encourage institutions to provide more diverse learning experiences by encouraging employer involvement, student gap years between school and university, and easier transfer for qualifications between vocational and university study.

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