

## University Governance – informing the national and institutional debates

*AVCC draft with edited amendments by Chancellors.*

### *The existing framework*

The framework for university governance is set by the 38 university establishment Acts. These create both the powers of governance and the autonomy of institutions within that legal framework. The fundamental principle is that the governing body has final responsibility for the good governance of the university and the delivery of administrative, educational and research outcomes consistent with community expectations.

But there is, of course, debate over the modes and models of implementation, as well as about the internal structures that best lead to a culture of performance.

That debate is bound by two main perceptions of how university governance does, or should, operate:

- there is a traditional ‘stakeholder’ model that gives voice to all with an interest in these public institutions, including those who work or study within them. It has been criticized for hindering effective governance and management through slowing, or avoiding, crucial strategic decision-making;
- a ‘business model’ has been advanced – notably through submissions to the 2003 Crossroads Review of higher education – that place a premium on effective financial management and outcomes for shareholders. It drew critical commentary for its low regard for the educational and learning objectives of universities, as well as for the exclusion of internal stakeholders.

Interestingly, a third model has recently been proposed, not least from the Harvard Business School, concerned with governance in not-for-profit organisations oriented at achieving their mission. This approach explicitly assumes non-financial goals are among the core objectives of the institution, but it endeavours to provide an effective governance and management structure to achieve a multiple bottom line in complex institutions of learning, research and community service.

### *Independence of Government*

External to these various models, Governments (at both State and Commonwealth level) have set accountability requirements that can constrict universities’ operational autonomy through treating universities as an arm of government, or ‘agencies of the state’.

An effective governance framework for universities must be based on universities being organisations established by the public through parliament for the public good: but otherwise independent of the Government of the day. Councils (and their Chancellors) are the active trustees of that autonomy.

*Independence of internal stakeholders*

Concomitantly, universities' internal arrangements must ensure that their governance and management structures and processes reflect the purpose of universities in working to, and for, the broader common good. This requires effective, open reporting on performance, accountability for funds, and sufficient independence of the immediate interests of staff and students of the day.

*The essential elements: Councils, university objectives, executive management and academic boards*

Ideally, a balance is set between external accountability (that maintains public confidence in the operation of a university) and each university's capacity to set its own direction to achieve its objectives.

A number of different elements are required for this to be effective:

- the Council or Senate to provide the body independent of Government but ultimately responsible to parliament for the operation of the university;
- the universities' objectives as established by Council and drawing on advice from senior management;
- a Vice-Chancellor and executive managers responsible to the Council for the effective management of the university; and
- an academic board, responsible [to the Council](#) for ensuring the academic quality and credibility of the university's operations as an educational and research institution.

*No single way to achieve an effective governance arrangement*

The precise way in which such a structure is achieved can, and should, vary. We must avoid any single-solution argument that relies on prescribing common elements such as the absolute size of the council. The test should be the appropriateness of the structure to meet the overall goals set out above in a way effective for the mission of each particular university.

While business and other public bodies respect a diversity of effective models, the Commonwealth's protocols tend towards imposing single solutions in a number of areas. They also attempt to protect the Commonwealth's financial interest in universities, through building into the structure of universities its claim to priority of notice of potential problems rather than rely on appropriate formal agreements with each university.

*Operational good practice*

Within an effective governance structure, universities also must work to ensure good practice in operational governance and management that goes beyond formal arrangements.

Critical to achieving good governance is the need to develop:

- a joint understanding between the governing body, executive management and academic board of their respective roles and responsibilities;
- ‘partnership’ of Chancellor and Vice-Chancellor which is vital for the working success of any governance model;
- an understanding of the work of the university, its opportunities and the challenges it faces;
- the effectiveness of the governing body through a clear majority of external members and an appropriate mix of skills of members. (This may require enabling legislation to be amended to allow a certain number, or proportion, of members to be co-opted to fill gaps in terms of needed skills);
- a demonstrable understanding of members’ fiduciary responsibilities, including the need to make decisions for the good of the university as a whole;
- the provision, and proper use of, information that optimises the quality and relevance of decision-making;
- the capacity of the governing body and executive management to act with care and due diligence, understanding the risks involved; and
- an understanding of the regulatory context of universities and the need for compliance across an array of legislation and government requirements.

*Generic principles and the individual institutions*

The AVCC discussions about generic principles and precepts of ‘good practice’ have repeatedly returned to the critical reality that all universities have distinctive characteristics – shaped by history, mission, practices and conventions. In modern technology language, ‘a hard-wired solution’ is unlikely to work across a range of diverse universities. ‘Fitness for purpose’ offers much in approaching a system of Governance in transformation.

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