



UNIVERSITY
OF WOLLONGONG
AUSTRALIA

Australian Universities Accord

A response to the Interim Report

PRIORITY ACTION 5

DR ANDY SCHMULOW
ASSOCIATE PROFESSOR
SCHOOL OF LAW
UNIVERSITY OF WOLLONGONG

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Introduction

1. This submission is limited to addressing Priority Action 5, bullet point three:

membership of governing bodies, including ensuring additional involvement of people with expertise in the business of universities.

Governance

It's not just 'the economy, stupid'

2. University Councils have, over the past decade, had their membership increasingly skewed towards industry representatives. Typically, industry representatives outnumber academics in a ratio of two to one or higher. This presents numerous problems:

2.1. **conflicts of interest:** Council members who are partners at, for example, big four audit firms, like KPMG and PwC, have a corrosive influence on university corporate governance. Universities spend large sums of money on consultants, and often experience the same problems that have been enlivened recently in the current Federal Senate Inquiry into consultancies.¹ They have a *land and expand* approach, charge fees that make them extremely expensive (a big four consultant charged out at the lowest fee of \$250 per hour represents almost the annual income equivalent to the highest paid rung of the APS²), and with dubious results or benefits. The notion that conflicts of interest are avoided because representatives of these firms leave meetings, when the appointment of their firms is discussed, overlooks the considerable influence they wield in discussions that take place informally. Moreover, we have seen evidence before the same Senate Inquiry that calls into question the notion that these representatives serve on these Councils as a service to the community. Evidence has emerged that they serve in order to promote the commercial interests of their firms.³

2.2. **a misunderstanding of the nature and the role of universities:** industry representatives tend to see university activities through the lens of what is profitable. This misunderstands the role of a university, which is to teach, serve the community, and conduct research. The

¹ See further: The Senate, Finance and Public Administration References Committee, (June 2023), *PwC: A calculated breach of trust*, Commonwealth of Australia, available at <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Finance_and_Public_Administration/Consulting_services/PwC_Report>.

² Alan Kohler, (10 August, 2023), "Alan Kohler: The extraordinary delusion and madness of crowds of consultants," *The New Daily*, available at <<https://thenewdaily.com.au/news/world/us-news/trump-news/2023/08/25/donald-trump-mugshot-released/>>.

³ Holly Payne, (26 June, 2023), "'Infestation' of PwC consultants on public boards," *The Medical Republic*, available at <<https://www.medicalrepublic.com.au/infestation-of-pwc-consultants-on-public-boards/94014>>.

last factor is performed in order to increase humanity's store of knowledge. It is not, and cannot, only be determined by what is profitable. To see only a profit imperative will, for example, fail to acknowledge the role of teaching and research in the humanities. It has long been recognised that students in the humanities are taught critical thinking skills and problem-solving skills. To overlook those benefits in the search for profit-making research, and teaching that is focused on the commercial gain for the student, may well produce a large cohort of accounting graduates, but it does not produce students who are able to overcome new and novel challenges.

Mitbestimmung

3. The German model of co-determination (*mitbestimmung*) has been credited as one of the principal reasons for Germany's post-war industrial and manufacturing success. Germany today is the only member of the G8 to maintain a manufacturing trade surplus with China. The German corporate governance model, in which firms with in-excess of 500 employees, are required to fill half their (upper) Board (Supervisory Board) positions with representatives from labour, has been credited with much of this success.

3.1. *Mitbestimmung* has been credited with ameliorating the excessive rates of executive pay that is now a common feature of the Anglo-American model of corporate governance.

3.2. By giving labour a say over the running of the company, demonstrable advantages have flowed to productivity.

4. Australian universities would be better served with a more equitable balance between academics and industry representatives on university councils. Academics understand better the nature of universities and the challenges they face, and potential solutions, than do representatives of industry.

4.1. They are far less likely to have conflicts of interest when decisions are made about hiring external consultants.

4.2. Academics are deeply invested in providing the best possible teaching and world-class research. Moreover, because they are practiced in stretching every research-dollar as far as they can, they tend to eschew lavish and unnecessary expenditure.

4.3. They are practiced in taking an evidenced-based approach to decisions they make.

Conclusion

5. For all of these reasons, but principally because they are less likely to enliven conflicts of interest in procurements made by the university, it would be beneficial to the task of improved corporate



governance to re-balance university councils, such that representation from academics is increased.