

Accord interim report submission

The university accord comes at a critical time for Australia as it reckons with a profoundly changed future landscape. As a nation we will need to skill our population in very different ways to how we are currently. The accord presents a unique opportunity to undertake a reset to ensure this is possible.

If the casual observer were to read the interim paper, they would likely be left with the impression that the current cadre of universities are well positioned, with some changes, to deliver to the country's changing and expanding needs over the coming decades. I would contend that nothing could be further from the truth.

The interim report does a good job of distilling a predominantly university view of what is required. This is misguided and contains significant gaps and shortcomings. The biggest concern I have with the interim report is that it largely represents a perspective of the incumbents who have an entrenched and narrow perspective on what education should and could be in the future. It outlines incremental gains for a model that is not, on its own, fit for purpose for the future needs of the country.

The report presents future higher education through a traditional university frame both in terms of how it addresses the market and the products and services it delivers to that market. The suggested way forward jumps straight to assuming that we should be delivering significantly greater numbers of qualified students through largely the same approach that we always have.

Diagnosis

The report lacks a deep diagnosis of the current marketplace.

- The degree to which universities are delivering appropriately skilled graduates to meet the needs of industry. In many cases they are not, and the gap is only widening.

Organisations are the ultimate end user or customer of our education endeavours and yet are largely missing from this assessment.

- The quality of the experience for students is significantly underdone and misrepresented. *While the measured standard of university teaching remains high, questions were raised about the quality of the teaching some domestic and international students are receiving.* I would posit that the standard of university teaching is in fact not high. QILT SES data misrepresents the true experience felt by students. The sector is fixated on benchmarking and universities are happy to sit somewhere close to the pack (which they all do). This provides an easy out for universities not improving what is often a mediocre experience. Comprehensive student insights I initiated in my previous role showed that under the benchmarked headline measures sits a plethora of significant issues that would not be accepted by players in more competitive sectors. The bar is simply too low.

- The drivers of future demand for international students have not been explored. The current dynamic of rankings driving reputation and demand may not prevail. As alternative offerings enter the market globally, more traditional market forces are likely to arise – advocacy driven demand, differentiated product offerings to address discrete market needs, low-cost substitutional offers eroding traditional university market share. It is critical for the future success of such a large export earner as education that we understand and design for a more competitive, differentiated and dynamic marketplace. If we don't, we risk declining in relevance, export earnings and skill outcomes for our nation.

- The efficiency of the sector, the proportion of student fees applied to learning and teaching and the financial flexibility of universities is important to understand. Inefficient, cost inflexible organisations are exposed to competitive risk – this needs to be understood and factored into future planning.

- The speed, flexibility and ability for universities to innovate is also important to assess and factor into future planning. Being deficient in these characteristics presents additional competitive risk.

– The current HE non-university players are largely ignored in this report. The sector needs to be understood and evaluated in totality as this will provide a more wholesome understanding of the sector's sustainability and opportunities. There are over 700 edtech players who should be considered in regards to the role they play, the value they can add and how they can be supported to improve the probability of success. The value that these emerging players can deliver needs to be appreciated and factored into future planning.

Industry innovation

The average life expectancy of a fortune 500 company fifty years ago was seventy-five years. Today it is fifteen. The world has changed enormously. Technology-driven innovation is only accelerating this change. What has driven the enormous change seen across almost all sectors is competition-led innovation.

There is some acknowledgement of the need to innovate to meet future needs, particularly regarding lifelong learning, adapting to a rapidly changing job landscape and AI-driven innovation. The degree to which the sector needs to innovate is not clear nor is there an objective assessment of the difficulties in responding to this change.

The paper is largely silent on one of the biggest issues facing the sector – universities are terrible at innovating. Any established organisation faces significant challenges in disrupting itself, as outlined by Clayton Christiansen's theory of disruptive innovation. For universities this is compounded by the fact that they have remained largely unchanged for decades, if not centuries. They have not, until now had to deal with competitive market forces and are not designed to do so. They lack the experience and skill sets to drive meaningful change and prosper in rapidly changing and competitive marketplaces. The culture, structures, IR environment and inward focus of these institutions further exacerbate their ability to innovate in a meaningful way.

This is understandable given that they have until now been guided and protected by government policy. With the barriers to entry falling across the globe and nation states having vested interest in transforming their education capabilities new models of education are emerging. They will provide better tailored, more efficient and efficacious learning and be able to respond to rapidly changing market needs. Look no further than Google career certificates, Prof Scott Galloway's Section 4 or Mark Ritson's mini MBA offerings for new offerings that are radically different from existing university offerings and striking a chord with markets globally. In a few short years Ritson has graduated over 30,000 students deriving over \$60 million in a low cost, scalable model. Business schools and traditional offerings are experiencing their disruptive innovation moment. With over \$60B in edutech VC funding over the past five years (source: HolonIQ) we can be confident that there will be many more of these innovative alternative offerings entering the market. This is good news for learners.

The question is how Australia will ensure it is capitalising on the opportunity. They will not be delivered by traditional universities who are not designed to deliver such innovation. There are increasingly honest conversations taking place calling out the inability of universities to innovate their offerings. Starting with the existing frameworks and conventions is the wrong way to tackle the issue. As Martin Bean eloquently noted at Edutech last week the issue to date has been addressed as a supply side issue, rather than a demand side issue. This is unsurprising given that universities have always been supply-side players.

From homogeneity to heterogeneity

There is much talk of the high degree of competition that exists between universities and how differentiated they are from each other. This is symptomatic of a cloistered, myopic sector unclear on what true competition and differentiation is. In competitive markets organisations are fixated on competitors and

ensuring that their offering has distinctiveness and competitive advantage. This does not exist within universities today.

We should not be looking at this exercise as one aimed at shoring up incumbent universities market positions, rather as a nation assessing what it requires in the future of learning. This will require looking beyond universities to provide alternative solutions to *complement* the current offerings. This should not be seen as an either/or but rather as an and. The great work undertaken and delivered by universities needs to be complemented with newer, more nimble, innovative and unrestrained models.

To do this successfully requires a rethink of the funding model. There is little reference in the interim paper to the structural flaws that currently exist in the higher ed model. The melding of research and teaching has led to perverse outcomes. The international rankings system, largely driven by research outcomes drives demand for university enrolments even though there is little correlation between these rankings and learning experience and outcomes. Universities are, understandably allured by the prospect of improving their rankings which improves reputational standing for the both the institutions and individuals within. This has led to maximisation of research funding to the detriment of teaching investment. Additionally, it distracts organisations from focussing on what is arguably their core role – teaching students. Decoupling these two distinct and important functions would enable greater focus, investment and outcomes to be delivered to our students. At a minimum there should be serious success targets set and evaluated to ensure that universities are delivering the right outcomes for students. The JRG had the right intent in this regard but was poorly executed.

Attracting emergent players to the sector will require a rethink of the funding model. To substantively increase innovation will require greater access to funding for these players.

Conclusion

This is such an important moment and opportunity which has been presented through the implementation of the universities accord. For the sake of our future students, sector and nation we need to be bold and innovative. This warrants looking beyond the sector for inspiration and innovation. Universities are great institutions who provide enormous social good. They are not however the sole answer to the challenge presented. Whilst it's now widely acknowledged across the sector that they need to change, that change will not be enough.

If we look at innovation which has occurred across most sectors, it has largely not been driven by incumbents. Asking universities to be the sole arbiters of the future of higher education would be the equivalent of relying on Telstra to determine the future of the telecommunications sector in the 80's.

It's time to strengthen the core through pushing for university reform whilst radicalising alongside this through alternative options. Use the power of market forces to our advantage and we will further strengthen our strong position and deliver the benefits required to succeed long into the future.

Michael Burgess

Higher Education consultant, past Chief Student Experience Officer - Western Sydney University.

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