Today, Europe is a wealthy continent. But tomorrow, it could be much poorer. An unfavourable demographic development, the high price of labour, and relentless competition from old and new competitors threaten Europe’s comfortable position. To counterbalance these dangers, Europe has adopted the Lisbon Strategy. It sets Europe the aim of becoming a world leader in innovation and knowledge creation. Alongside with further knowledge producers, universities and other higher education institutions have a key role in making the Lisbon Strategy work. However, in their present state, Europe’s universities are ill-equipped to become innovation engines. In order to play this role, they themselves need to change. They need more funds than they have today, they need better governance structures, and they must enhance their global appeal. These issues – governance, funding and international attractiveness of Europe’s universities – are key concerns of this book. The volume also depicts the main outlines of the Lisbon Strategy. Most of the contributions in this volume are based on presentations delivered at the ACA conference The future of the university, held in Vienna in December 2005.
Maria Kelo (ed.)

THE FUTURE OF THE UNIVERSITY

Translating Lisbon into Practice
ACA Papers on International Cooperation in Education

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THE FUTURE OF THE UNIVERSITY

Translating Lisbon into Practice

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Introduction

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The incredible endurance of the university, which is second only to the Catholic Church and the Icelandic Parliament as the oldest institution in Europe, is the result of its ability to constantly adapt to changing conditions. The fact that universities – and other higher education institutions – are today faced with big challenges is therefore nothing new. But the challenges themselves are new, and need new answers. Many of Europe’s economies are showing signs of weakness at a time when old competitors keep going strong and new ones, particularly in Asia, are gaining ground. Europe’s population is greying, with heavy implications for the costs of health and pension systems, and consequently on other public spending. In order to defend its competitive position in the world and to keep its high standard of living, it needs to be cleverer and more innovative than others, and to speed up the creation of an ever-improving knowledge economy. Quite clearly, the creation of a knowledge society is highly dependent on the performance of our education and training systems, and particularly on the universities and other higher education institutions. Indeed, the role of universities in this process is crucial.

Europe’s heads of state and government acknowledged this when adopting, in the year 2000, the ‘Lisbon Agenda’, in which education, training and research play a key role. But, in order to be the innovation promoters they should be, Europe’s universities will themselves need to innovate and change. Reforms have begun in many countries, but more are necessary for the universities to reach their full potential, and to contribute effectively to the wider agenda. The future of the university addresses three main challenges which are deemed as central for today’s higher education: funding, governance, and global attractiveness. In other words, the central role of the universities in the Lisbon Process can only be fulfilled if European universities manage to find the resources for better funding, to develop governance models which give the university the freedom thought necessary to produce constant innovation, and to compete with the best elsewhere for the key human resources in terms of students, researchers, and academic staff. It is not a coincidence that these three themes are also at the centre of the European Commission’s Communication Mobilising the brainpower of Europe, one of the most recent

1 Communication from the European Commission, Mobilising the brainpower of Europe: enabling universities to make their full contribution to the Lisbon Strategy, COM (2005) 152 final, Brussels 20 April 2005.
EU documents on the role of higher education in the context of the Lisbon Agenda.

Where shall the money come from to maintain world-class universities? What are the impacts of the chosen funding model on the autonomy, quality, and – thus – attractiveness of the institution? How must the university be governed, and by whom, in order to unleash its full potential? Is Europe losing the global competition for students and researchers, and in the face of a decreasing population, who will in the future fill Europe’s universities? How do other aspects, such as environmental concerns and those for equality and access, fit the picture? Having identified (some of) the key questions does not mean that we have also found all the answers. These questions have no easy answers. But it is the purpose of this publication to address these and many related questions and to attempt to find relevant answers, in order to help institutions and people working in them to start thinking about alternatives in taking up and responding positively to the challenges. Looking for answers to these questions – and many more – is a necessary process to enable universities not to remain passive subjects in the transformation process, but to take in their own “hands” the shaping of their future, and that of the society.

The articles in this publication, with the exception of the one by Larsen, Maassen and Stensaker, are based on an ACA conference organised in cooperation with the Australian Exchange Service (ÖAD) in Vienna in November/December 2005. The conference followed the same main strands as this publication: 1) the reform needs of European universities in the areas of funding, 2) governance and autonomy of higher education institutions, and 3) the attractiveness of European higher education vis-à-vis other parts of the world.

The first two articles draw the framework in which European universities operate. Bernd Wächter describes the wider (than education related) aims of the Lisbon agenda sketching the history, main aims and implementation tools of the process. This wider overview of the Lisbon Process is crucial for a fuller understanding of the role the universities could – and should – play in reaching its objectives. The accurate and comprehensive description of the process and its developmental stages gives a clear picture of the background to the European Commission Education and Training 2010 agenda. It also presents, under one “cover”, the development of the concrete reform objectives and benchmarks for European higher education. While recognising that many steps have been taken to the right direction, both by the European Institutions, the national governments of the EU countries, and (some of) their higher education institutions, much still needs to be done. The courage

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2 Both the conference and this publication have been financially supported by the European Commission DG for Education and Culture, for which the Academic Cooperation Association is grateful.
for radical change will be essential if the small steps into the right direction are to be transformed into a powerful tool for shaping the knowledge economy.

Guy Haug describes further in detail the particular objectives of the education strand of the Lisbon process, the “Education and Training 2010” agenda. He also gives a clear picture of how these objectives are related to the Bologna Process and the changes taking place as a part of the related intergovernmental agreements. While the overarching response to the question he poses in the title – “Are Europe’s universities on track?” – is somewhat of a negative one, the worst case scenario is not yet an inevitable fact. As far as the European Union, the national governments and most importantly the universities themselves take the need of deep reform seriously and use all the available tools to improve university management and financing systems, and to promote excellence without ignoring the importance of diversity and diversification between institutions, there is hope that Europe’s universities can maintain and improve their position and contribution to the achievement of the Lisbon goals.

One of the sub themes of the publication, namely the often heated debate on funding of universities and on higher education as a public good, is taken up by the following two articles, by Peter Scott and George Psacharopoulos. Peter Scott describes in detail the complications in the shift from “public” to “private” funding of universities, both in practice and conceptually, and depicts the different forms that both of these funding modes can take. He then links the discussion on funding options (state and individual contributions) to the degree of university autonomy and state regulation, and argues that a high degree of public funding does not necessarily lead to higher state control over the institution, or private funding to its perfect autonomy. Finally, Peter Scott underlines how the discussion on finances and management are not only technical issues: choices regarding these matters will inevitably express and be influenced by the value structures of the university.

Giving a significantly different view, George Psacharopoulos approaches the issue by analysing the impact of the amount and type of funding on the quality of the university, measured by their position in university rankings. He presents a number of data comparing the position of European universities with universities in other countries (in particular in the US) and uses the case of the fully state funded Greek higher education system to demonstrate the detrimental effect of full reliance on public money on the quality and competitiveness of the university. He takes a strong position in favour of privatisation of higher education, and argues that unless the financial and thus other dependence on the state is broken, European universities will fail to re-establish their position in the global higher education arena.

The authors of the next article, Ingvild M. Larsen, Peter M. Maassen, and Bjørn Stensaker from the Faculty of Education at the University of Oslo,
describe the dilemmas that universities face within their governance structures as a consequence of the change dynamics that consist of the need for adaptation and continuation at the same time. The discussion is based on four main dilemmas, and by looking into recent changes in some European countries, it gives indications of the direction the management structures of European higher education institutions are currently developing.

The article by Maurits van Rooijen portrays a vision for the future of a particular and relatively new delivery form of higher education, namely transnational education. He develops the theme further and argues that engaging in transnational education may be a way for some institutions to assure their relevance both at home and abroad. He approaches the questions related to the reasons for – and consequently – the type of transnational activity through the example of his home university, the University of Westminster (London, UK). Van Rooijen explains how, from his point of view, the choice between local and global focus is not a necessary one: a university can be both, and indeed its relevance in one context is boosted and reaffirmed by the engagement in the other.

With his article on how European universities will do in global competition for high quality students Rolf Hoffmann contributes to the debate on attractiveness of higher education on the old continent. He offers a picture of the current trends in the global higher education market both in terms of international student numbers as well as the recent changes in the flows to some traditional destination countries. Predictions regarding future student movement are based on an analysis of the changing global higher education scene, and the responses of universities in Europe and elsewhere to the existing and upcoming challenges. The author gives a “check-list” of issues that European universities would need to address – and improve on – to ensure their attractiveness on the global scale.

In addition to the Lisbon agenda and its challenges, several global trends influence the shape, size, governance and funding of the universities in the short and long term. Many of them, e.g. the spread and development of ICT, will influence the nature of the student body, the academic profession and the function of the administrators, as well as their relationship to each other and to a/the university. Sohail Innayatullah, a professor in futures thinking, gives his scenarios on what the university of the future will look like, who it will cater for, and what its priorities will be. Further, he describes the impacts of different future scenarios on the changing profession of the academics: while professors, students and administrators are likely to continue to exist in the future university, their respective roles are bound to change. The perspective of this article is widened from the European or Western vision to a more global one. Furthermore, it encompasses trends such as corporatisation and virtualisation, which have an impact on institutions and will tend to transform the university from a community of scholars to something different. To
what, depends on the balance between the different factors pushing and pulling universities, and the universities’ responses to them.

As will be clear, the approach and the views presented by the authors vary to a large extent. Consequently, the book cannot offer a single vision for the future of the university, or to offer a single set of recommendations that would help European universities to confirm – and improve – their position in the increasingly competitive world of higher education, and to rethink their role in the knowledge economy. However, it is possible to draw out some core points, which reflect also the main outcomes of the ACA Conference in Vienna.

♦ Europe’s future – as a knowledge-based economy – is clearly and strongly linked to and even dependent on the future of its universities. Universities are key players in achieving the wider Lisbon goals of economic competitiveness. By actively participating in the shaping of their own future, the universities can ensure their relevance both for shaping of knowledge, as well as for shaping of society.

♦ European higher education institutions are, in general terms, falling behind on the Lisbon objectives. However the game is not lost, yet, and will not be if the universities take concrete action urgently.

♦ Whatever route the universities choose to take – both in terms of addressing funding options, opening to the global market, and reforming the governance structure – maintaining the status quo, so the authors of this book clearly agree, is not a viable option.

♦ It is unrealistic, at least for most European higher education institutions, to rely entirely on public financing. Diversifying income sources can be not only a necessity, but also a benefit. Where the money should come from, and with what strings attached (or not), is however another issue, and tightly linked to the values the university or national higher education system are willing to embrace.

♦ Europe is well placed in the global map of higher education, and attracts significant numbers of high quality international students. However, it needs to work on clarity of information and on offering a wider range of study options (both in terms of language of tuition, type of courses, and delivery modes) to maintain and improve its position. Staying put in a world where others are moving forward, and doing so fast, would equal going backwards.

♦ Several push and pull factors, as well as individual, institutional, national and global choices, have an impact on the future of the universities. The challenges that universities will face in the future long beyond 2010, include wider issues than (economic) competitiveness: sustainability, responsibility, and democracy enter the picture of universities future on a more global scale.
The aim of the book is not to discourage those involved in higher education, or to draw a (entirely) bleak future – or no real future at all – for European universities. Nor is it aimed at “setting minds at rest” by comforting messages that “it will all turn out OK at the end”. Rather, the aim of the book, as well as the ACA conference the articles stem from, is to increase awareness of the challenges European higher education and its individual institutions are facing, to encourage lively debate on what the future will hold for them and what they – and we – can do to shape it, and to give a positive push to all those personally involved in the issues considered in this publication to reflect on the possibilities for the university’s future, and to ultimately be courageous enough to put the reform plans into practice. The university is still alive and kicking. I believe you share my desire to keep it that way.
The Lisbon Strategy. Knowledge as the key to growth and employment

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The present paper is the slightly revised and updated version of a speech given at the ACA conference *The Future of the University*, the proceedings of which this monograph contains. *The Future of the University* was dedicated to the education-related aspects of the so-called Lisbon Strategy, and its participants came from the field of education, predominantly higher education. This group was, to a degree, at any rate, familiar with those parts of the Lisbon Strategy which deal with education and training, also known as the *Education & Training 2010 Agenda*, whereas its knowledge of the wider Lisbon Strategy was scant. The speech therefore served to contextualize the *Education & Training 2010 Agenda*, by providing a basic understanding of the more comprehensive Lisbon Agenda, and thus to create a better understanding of the particular role that education, training, research and innovation play in it. The purpose of the present paper is the very same.

The strategic goal

The Lisbon Strategy was adopted by the heads of state and government (officially named the “European Council”) of the then 15 European Union member states during their spring 2000 meeting in the capital of Portugal, which in the first half of that year held the Council Presidency. Unlike on other occasions, when the European Council’s agenda was ‘hijacked’ by urgent business in world politics, which prevented it from looking further ahead, the heads of state and government assembled in Lisbon could concentrate on matters of a medium and long-term significance. These favourable conditions helped to forge the Lisbon Agenda.

The Lisbon meeting agreed on one overriding aim, the so-called ‘strategic goal’, which has since been, in European Union circles at any rate, quoted almost ad nauseam. It is still useful, even necessary, to repeat the famous quotation. The European Council set the Union the aim to become, by the year 2010, *the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs, and greater social cohesion.*³ This was ambitious, to put it mildly. Some

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³ Only slightly later did the European Council add an environment-related target to its strategic goal.
observers even found it outright unrealistic. Not only was it doubted that Europe would muster the energy to become the world's number one, there also appeared to be contradictions. For, according to some schools of thought, the aims of higher growth and higher employment levels are not easily reconcilable with that of “greater social cohesion”, that is the (European) model of an inclusive and solidarity-based society. According to this school of thought, Europe wanted to have its cake and eat it.

The challenge

What had made Europe's governments so ambitious? It was, as a closer look reveals, not only optimism, although there was a lot of this at the time. It was also the realization that the Union was simply doomed to succeed. There was, in other words, a combination of conducive conditions, which justified optimism, and of dangers further down the road, which made action imperative.

On the favourable side, the following facts and developments played a major role.

♦ The year 2000 marked the peak of a relatively long period of satisfactory economic growth and stability in most EU member countries. The economic optimism of this period (which would soon give way to a decidedly gloomier outlook) was indeed remarkable: some serious (?) economic journals started to discuss the question if the law of the cyclical development of the economy was still in force, or if it had given way to a linear (upward) development.

♦ In the Euro-zone, inflation had, since 1995, fallen from 6 to only 1.2 percent. Unemployment had come down to 8.4 percent, from 10.8. Deficits in public budgets, still at 5.5 percent of gross domestic product (GDP) in 1995, had in many cases been transformed into small surpluses. Even though we know today that some countries 'massaged' their statistics in the run-up to the introduction of the Euro, public finances were in a process of consolidation and tax revenue was reasonable.

♦ The belief that the “digital revolution” would in itself carry the economy was widespread. The large-scale introduction of information and communication technologies into business life appeared to be the miracle solution to sluggish growth. Some spoke scornfully of “brick-and-mortar” companies as dying species of an “old economy”. Most of these hopes, together with the virtual companies and their sky-rocketing stock market quotations, would soon blow up, in what became known as the dot.com bubble.

♦ The Euro had been introduced, in a remarkably smooth process, in 12 of the 15 EU member states. The common currency fuelled hopes of a deeper economic integration of the Union, with increased growth rates. It was also of immense symbolical value for the European project. Europe's governments demonstrated that they had the ability and the will to act
together. As became soon apparent, this was the last positive milestone for a long period to come.

But, next to these successes, there was a large number of ‘challenges’, in the form of present and future problems. Those concerning the future were particularly worrying.

♦ True, there was economic growth in the EU, but others, and notably the US, did better. US growth rates in gross domestic product had been steadily above those in the EU for a considerable period of time. Part of the problem was a productivity gap: Europe’s employed worked fewer hours per week and fewer weeks per year than their American counterparts. During the hours they worked, they were less productive than Americans (labour productivity). And the percentage of the population which worked was lower than that in the US (employment rate).

♦ Despite a drop in average unemployment rates, Europe’s unemployment remained unacceptably high. Some regions were particularly badly hit, as were individual groups of the population. The percentage of women in employment was low, as was that of older workers. Youth unemployment, in some member states at any rate, was unacceptably high.

♦ In addition, Europe’s labour markets were characterized by ‘skills imbalances’. The (traditional) skills of those unemployed were not in demand, but at the same time hi-tech skills demands could not be satisfied. High unemployment went hand-in-glove with a shortage of highly qualified workers, particularly in the new information and communication technologies (ICTs).

♦ On top of all of that, Europe was expensive. Labour costs were very high, by international comparison. This put Europe already at the time at a comparative disadvantage, but the implications were especially gloomy with a view to the future, in a globalised economy (see below).

♦ Europe was proud of its dense social welfare systems. But these were expensive, and added to the high labour cost. Once again, this posed a problem already in 2000, but it was clear that things were bound to become much worse, if no decisive reforms were to be introduced. And many European countries, among them those with the largest economies, showed no signs of determined reform.

All of this appeared to be enough reason for radical measures to be taken. But two developments not yet mentioned made such action unavoidable. Both of them concerned the future rather than the present.

The first one was Europe’s rapidly ageing population, which was (and of course remains) nothing short of a time bomb. Population ageing was the result of two phenomena: a strong decline in birth rates, and a palpable parallel rise in life expectancy. These two trends would in the future translate into highly increased ‘dependency ratios’, i.e. fewer people in employment would need to financially support more people outside of it. The strain on pension
systems and on health care provision would become unbearable. Moreover, such massive unproductive spending could be expected to negatively impact on future economic growth. According to some calculations, growth rates could be halved. The results for Europe’s living standards would obviously be disastrous.

The second future threat was seen to come from economic globalization. Of course, globalization – here understood to mean an interconnected world – was not new. The different parts of the world had always kept some contact, also, and especially, in the economic realm, through trade across the borders of countries and continents. What had dramatically changed was the degree of interconnectedness, spurred by better transport, the digital revolution, and, above all, very much lowered trade barriers across the globe. The result was that a national economy was much less than earlier on a protected, stand-alone sphere. It was part of an increasingly competitive global market, and a good deal of its success or failure was dependent on its ability to keep the upper hand in the often cut-throat competition on this market. Compared to its economic contenders, Europe was not getting more competitive. Rather, the reverse was the case. The reference point in the year 2000 was still very much the US, although there was a feeling that new challengers were to enter the scene. In the six years since, at least two powerful ones – China and India – have arrived and demonstrated that the Lisbon analysis was anything but an exaggeration.

It should be noted that the Lisbon Strategy was not the first effort to shake the Union into action in the face of dangers to its future. In many ways, it stands in the tradition of the “white paper” Growth, Competitiveness and Employment of 1993, issued by the European Commission under its legendary President Jacques Delors. This document already identified many issues of the Lisbon Agenda: the need to fight large-scale unemployment, and the need for economic policies to stimulate growth. It was also Delors who, at a Community level, first made a determined effort to highlight the implications of the demographic challenge ahead of Europe. Delors’ white paper later resulted in the “Luxembourg Process” (1997), which launched the first “European employment strategy”. Many of the problems tackled by the Lisbon Strategy were therefore not new. But they had acquired an increased urgency since Delors first rang the alarm bells.

**The answer: investing in people**

How does the Lisbon Strategy propose to respond to the challenge? Its recipe for change is encapsuled in one single magic word: knowledge. It is the

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4 Cf. Commission of the European Communities, Growth, competitiveness and employment. The challenges and ways forward into the 21st century (white paper), COM 93 (700) final, Brussels 5 December 1993.

production, the dissemination and the application of knowledge that will save the continent. Europe needs to create a powerful knowledge-based economy.

In a simplified form, the argument runs like this. For a very long period in the history of mankind, sheer luck had determined the wealth of nations. Of course, hard work and human ingenuity had always played a role in how well an economy would do. But the availability of arable land, earlier in agrarian societies, or the access to natural resources (precious metals, coal, oil, and gas) played a massive role, too. In the future, another resource would make the difference: people. People, or rather their discoveries (brought about by research) and inventions (brought about by developing research findings into cutting-edge products), would decide over affluence or poverty.

The 'Lisbon logic' holds this to be (almost) a universal truth, but it insists that its implications for Europe are heavier than almost anywhere else. With its major disadvantages, in the form of an unfavourable demographic curve and, by world-wide standards, very high labour costs, Europe can afford less than most of its competitors to be mediocre. It cannot compete over prices, because its products are bound to be more expensive than those of most others. It therefore stands no chance in markets for traditional products, which anyone has the know-how to produce. It cannot compete at the low end of the market, such as manufacturing, which it will have to give up altogether in the long run. It can only compete at the high end, for example in technology. Europe will not beat anyone in the production of t-shirts or shoes, but it can beat everybody in aircraft production (see the 'Airbus story' below).

For all of these reasons, Europe needs to innovate more than others, in order to produce more intelligent products than its competitors, and place them on the market faster than anyone else. This way, and this way only, can it cling to its cost and price levels, and safeguard its present standard of living. This is why the (in)famous strategic objective demands of Europe that its future economy must be knowledge-based.

How could Europe create this knowledge-based economy and society? Not being a simplistic approach, the Lisbon Strategy does not propose one single set of measures, but a wide range of them. This said, however, its key weapons are from the arsenal of education, training and research. ‘Lisbon’ puts its hopes on investments in people. The Education & Training 2010 Agenda, which will be dealt with later on in this paper, is therefore one of the centerpieces of the Lisbon approach.

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6 Given the development of prices for raw materials since the year 2000, it appears a bit doubtful if knowledge alone is going to be the driver of material well-being in the 21st century. The price of crude oil has certainly trebled since the Lisbon summit, and the price of many precious metals has risen even more steeply. Even cacao appears to be getting scarce, with new nations developing an appetite for it, and arable land might become more valuable again, if crop-based ethanol should (partly) replace oil as a driver of the world economy. But, due to its widespread lack of natural resources, such developments offer little prospect for Europe.
The Lisbon Strategy is not at all unique in applying an ‘investing in people’-logic. Rather, it is very much a child of its time. In the years prior to the Lisbon summit meeting, education had made a steep climb upward on the ladder of policies that mattered. A marginal concern for a number of decades, it experienced a true renaissance. Its comeback was linked to the idea of human capital, or rather the centrality of human capital for economic success. According to the human capital theory, educational investments yield economic returns, just as other forms of capital do. However, according to the prevalent understanding, educational returns are higher than those of other investments, both for the individual, and for the economy overall. With regard to the latter, they are understood to raise growth, productivity and employment levels. The shared belief, which has almost reached the status of a ‘mantra’ by now, is that every additional year of schooling (or equivalent forms of education and training) adds considerably to economic performance.

The aims

The “Presidency Conclusions” of the Lisbon summit of heads of state and government, the ‘minutes’ of the meeting, are quite general and focus on the grand aim. This notwithstanding, they already offer a fair number of rather concrete objectives. Further detail was to be worked out by the specialists of the various policy fields involved. One set of rather concrete aims concerns the economy, the labour market and the social security systems. In these fields, the conclusions demand, amongst other things, implicitly or explicitly:

- An average annual economic growth rate in the EU of three percent of GDP (growth was lower in the years before 2000);
- An increase in labour market participation in the EU, from 61 percent of the labour-age population in 2000 to 70 percent in 2010 (and from 51 to 60 percent of women);
- A reform of the social security systems (pensions, health, unemployment benefit);
- The completion of the single internal market, through the removal of barriers to cross-border activity, particularly concerning trade in services;
- The provision of risk capital;
- An increase in deregulation and in privatization; and
- The encouragement of “entrepreneurism”.

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7 The human capital theory is not new either. It was very much in the limelight in the 1960s, when Nobel laureate Gary S. Becker of Chicago University (‘Chicago School’) published Human Capital (1964). The origins of the theory, however, go even further back in time.

8 One of the most frequently quoted pieces of research in this respect, especially in European Union circles, is a report produced for the European Commission’s Directorate General for Employment and Social Affairs: De la Fuente, A. and Ciccone, A. (2002), Human Capital in a Global and Knowledge-Based Economy.

Given their key role for the attainment of the “strategic objective”, the Presidency Conclusions demand that Europe make a strong effort in the fields of education and training on the one hand, and those of research and innovation on the other. In research, the list contains, again amongst others:

- The attainment of the objectives set out in the earlier “Commission Communication” *Towards a European Research Area*10;
- The closer coordination (“networking”) of national and joint research programmes around targets to be identified;
- The creation of better framework conditions for private research investment (in which Europe scored particularly disappointingly compared with its competitors);
- The creation of a high-speed trans-European network for electronic scientific communication (already by 2001);
- The removal of obstacles to the mobility of researchers inside Europe, on the one hand, and to the attraction of non-European scientists to Europe and the retention of European scientists in Europe, on the other (by 2002);
- The introduction of a “Community patent” (by 2001).

In education and training, the conclusions target a wide set of audiences. In line with the focus of the document on lifelong learning, targets do not only, or even mainly, concern the ‘formal’ sector of education and training. They comprise:

- A substantial annual increase of the per capita investment in human resources;
- A halving, by 2010, of those between 18 and 24 years old who only complete lower secondary education;
- The linking together of schools and training centres by means of the internet, open to all; the creation of “learning partnerships” between schools, training institutions, companies and research outfits;
- A definition of “the new basic skills” to be provided by lifelong learning (among them IT literacy, foreign languages, “technological culture”, etc.);
- The removal of mobility barriers for students, teachers, trainers and researchers through Community programmes and enhanced recognition; measures to attract high-quality teachers.

Beyond these targets and measures, the Lisbon Council demanded that the Education Council (that is, the member states’ education ministers) produce proposals for “concrete future objectives of education systems” in the course of one year. Before looking at the document produced in response to this request, it is worthwhile to briefly examine the means by which the Union intended to put the Lisbon Agenda in place.

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Indicators, benchmarks and the ‘Open Method of Coordination’

In order for the Lisbon Strategy not to become yet another lofty declaration with little or no impact, and without a follow-up, it was decided to measure progress (or the lack of it) towards the aim(s) set. To be able to do so reliably, the strategic goal was to be translated into concrete objectives in each of the many policy areas concerned. More importantly, indicators were to be found and commonly agreed on, by means of which the performance in relation to each objective could be measured, and benchmarks set, also by common agreement, which would define how good precisely Europe pledged to become in relation to a particular objective.

An example might help to illustrate this method. One aim formulated in the strategic goal was to considerably boost employment in Europe, or, to put it negatively, to reduce unemployment. An indicator was needed by means of which to measure Europe’s record in this regard. The one agreed upon (in this case already at the Lisbon summit, in most other cases later) was the percentage of the working-age population in employment. This might appear the obvious and only possible indicator, but it is not. It would also have been conceivable, for example, to set as an indicator a given percentage of unemployment which was not to be exceeded. The two indicators measure by no means the same. Unemployment rates are based on those registered as seeking and not having employment. The inclination of people to register depends heavily on whether or not registration will result in unemployment (or other) benefits. If no benefits, or only very marginal ones are being granted, people will see no point in registering – and thus fall out of unemployment statistics. This is one reason why the Lisbon employment aim was better measured by those actually employed (another one being that, with regard to the sustainability of pension system, those in employment count, and not those out of it). One could have gone even further to refine the indicator11. In the last resort, it is not so interesting to know how many people are employed, but how much employment there is, since not everybody works full-time. A more precise formulation of the employment indicator could therefore have been the percentage of the working-age population expressed in full-time equivalents.

Next to setting indicators, it was necessary to define achievement levels, or benchmarks. To stay with the example, a concrete percentage of the employed working-age population had to be set. The Lisbon Council set it at 70 percent for the totality of the working-age population, and at 60 percent for the female part of it. This is an absolute benchmark, expressed in a European average. It would have been possible to put it in relative terms (i.e. a percentage rate of increase), and to differentiate between the European average and a minimum to be achieved in each member state. Or as a comparative benchmark, for example that the EU as a whole, or each of its members,

11 This was indeed done at a later stage.
would not lag behind the labour-market participation rates of its most performing competitors by more than a given percentage.

The process of setting indicators (and later benchmarks) only started in Lisbon, but most indicators were agreed on in the time since the year 2000. At the level of the Lisbon Strategy as a whole, the indicators agreed on had reached the impressive number of 117 by the year 2005. Such expansion entailed the danger that the wood would no longer be visible for the trees, and, in an attempt to create transparency, it was decided to establish a “shortlist” of 14 so-called “structural indicators”. They are related to the key priority areas and aims of the Lisbon Strategy, i.e. the economy, employment, innovation, social cohesion and the environment. The 14 indicators are:

- Per-capita GDP expressed in purchasing power standards (i.e. eliminating price-level differences between countries);
- Labour productivity per person employed;
- Total employment rate (percentage of those employed of the working-age population, broken down by gender);
- Employment rate of “older workers” (percentage of those between 55 and 64 years old in employment, broken down by gender);
- Educational attainment (share of people between 20 and 24 years having completed at least upper secondary education, broken down by gender);
- Research and development intensity (public and private expenditure on research and development as a percentage of GDP);
- Comparative price levels (ratio between purchasing power parities – PPPs – and market exchange rates for each country);
- Business investment (gross fixed capital formation by the private sector as a percentage of GDP);
- At-risk-of-poverty rate (share of persons with disposable income below 60 percent of the national median, after social transfers);
- Long-term unemployment rate (share of persons seeking work and unemployed for 12 months and more, broken down by gender);
- Dispersion of regional employment rates (regional imbalances in employment);
- Total greenhouse gas emissions (measured in aggregated CO₂ equivalents and weighted by global warming potential).

Further, the process was to be implemented by means of a new EU governance instrument, the ‘Open Method of Coordination (OMC)’. In this respect, it is important to know that the Lisbon Strategy involves a wide range of policy fields, in some of which the Union has constitutional power (competition policy and the single market, for example), but in many of which it has none, or very limited ones only. In order to be able to act together, a proce-

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12 Structures are basic characteristics which do not, in most cases, change rapidly, and structural indicators based on such basic characteristics therefore indicate more long-term developments.
The Future of the University

dure had been designed to combine national decision autonomy with accountability towards the Union in terms of outcomes. This procedure, the OMC, is therefore a largely voluntary form of cooperation, which involves the common setting of aims, and the agreement on indicators and benchmarks to follow up on their attainment, plus the exchange of ‘good practice’ between member states. The process as a whole relies very much on the creation of peer pressure in order to attain the goals set. In this voluntary process, the European Commission was installed as a coordinator and as a watchdog, regularly demanding feedback on progress from member states, analyzing if the necessary steps were being taken, and ringing the alarm bells if this should not be the case. Hailed as a major breakthrough at the time, because of the promise to bridge the gap between the respect for national autonomy and the need for concerted action, the OMC still has one major shortcoming, as the years after Lisbon were to show: it is non-compulsory and cannot be enforced by the European Union, and its success is therefore largely dependent on the serious will of member states to live up to their solemn promises.

Education & Training 2010

In the particular field of education, the Education Council (ministers of education of member states) did the homework requested of them by the heads of state and government in Lisbon. In February 2001, they submitted their report to the European Council, under the name The concrete future objectives of education and training systems. The report was approved by the European Council in March 2001, and became the foundation of the Education & Training 2010 agenda.

The document comes up with three “strategic objectives”, namely, first, to increase the quality and the effectiveness of education and training systems (i.e. to “improve”), second, to facilitate the access of all to these systems (i.e. to increase participation in education and training, a particularly pressing concern, especially among the least educated), and, third, to open up education and training systems to the wider world (understood both in geographical and sectoral terms). Further, it breaks down these strategic objectives into a total of 13 individual ones. They are presented below under the strategic objective they belong to.

Objective 1: Increase quality and effectiveness

✦ Improve education and training for teachers and trainers;
✦ Develop skills for the knowledge society;
✦ Ensure access to information and communication technologies for everyone;
✦ Increase the recruitment to scientific and technical studies;
✦ Make the best use of resources.

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Objective 2: Increase access
- Create an open learning environment;
- Make learning more attractive;
- Support active citizenship, equal opportunities and social cohesion.

Objective 3: Open up to the wider world
- Strengthen the links with working life, research and society at large;
- Develop the spirit of enterprise;
- Improve foreign language learning;
- Increase mobility and exchanges;
- Strengthen European cooperation.

The Concrete future objectives of education and training systems was followed in 2002 by a Detailed work programme on the follow-up of the objectives of education and training systems in Europe14, which the European Commission and the (Education) Council jointly produced and submitted to the European Council in 2002. This document goes beyond its predecessor in a number of ways:

1. It elaborates on the 13 objectives, by breaking them down into 43 “key issues”;
2. It suggests, for the 13 objectives, a (still indicative) list of indicators, to be used for measuring progress;
3. It proposes the setting up of working groups which would review and revise these indicators, and work towards benchmarks;
4. It suggests, again for the 13 objectives, possible themes for an exchange of experience and good practice between member states;
5. It announces the introduction of the OMC for the Education & Training 2010 Agenda;
6. More generally, it sets the additional ambitious target that Europe “will be recognized as a world-wide reference for the quality and relevance of its education and training systems and institutions” and that it “should be the most-favoured destination of students, scholars and researchers from other world regions”.

Following on from this document, and in a few cases already before, working groups were set up. Next to a theme-unspecific “standing group on indicators and benchmarks” (which still exists today and principally deals with methodological questions concerning the availability and quality of existing data, and the definition of new data needs), eight working groups were set up, to cover

14 Cf. Council of the European Union, Detailed work programme on the follow-up of the objectives of education and training systems in Europe, 2002/C142/01, 14 June 2002. Please note that the educational agenda of the Lisbon Strategy was at this stage still referred to as the «concrete objectives of education and training systems”. Since, however, the title of each new document became longer, by indicating on which earlier one(s) it followed, the easier term Education & Training 2010 was introduced shortly after. The renaming also signaled, at least from the Commission’s point of view, an integration of other European reform agendas, such as the (intergovernmental) Bologna Process, into the Lisbon Strategy in the field of education.
one or more of the 13 objectives. These groups conducted a first ‘mapping exercise’ and analysed the issues of relevance with regard to the individual targets. After the mid-term review of the Lisbon Strategy, so-called “clusters” were created to continue and deepen the work of the earlier groups. The clusters reflect the approach of the ‘re-launched’ Lisbon Strategy. Each one of them convenes governmental and expert participants from countries with similar priorities around one or more common themes. The clusters continue to work on indicators, but they also organize an exchange of “good policy practice” between member states, and peer learning activities. The work of all of these groups has been intense, but also difficult. On the one hand, for many potentially enlightening indicators, no statistical data proved to be available. On the other hand, the data which were available often were not suitable for the (in many cases) innovative objectives, on which progress was to be measured. These problems were, to a degree, to be expected. Data collection systems are, by their very nature conservative. They must be, in order to be able to measure social developments over a longer period of time (i.e. to produce time series) and cannot be changed with the emergence of every new fashion. However, they therefore also tend to yield data on yesterday’s policy priorities, and not on those of today, let alone tomorrow. These problems notwithstanding, already by 2004, 29 indicators to measure progress on the 13 objectives had been identified15.

However, the work on identifying additional indicators goes on. For all indicators (already identified and to be identified), benchmarks still need to be developed, if the original aim of setting precise quantitative aims will be upheld (which is not entirely clear). At the very least with regard to those indicators and benchmarks for which new data systems need to be installed, it is obvious already today that only ‘snapshots’ of the situation in the year 2010 (or slightly earlier) can be produced, but not backward time series. In those cases, it will not be possible to measure progress in the first decade of the 21st century. Everything speaks for it that the Lisbon deadline of 2010, which has always been symbolical to a degree, will have to be extended.

Despite the fact that the work on indicators was and is ongoing, the Education Council agreed, in 2003, on a first list of five benchmarks in the field of education and training, in response to a proposal from the European Commission16. This proposal had gone somewhat further than the Education Council (and particularly the German government) was willing to go, since it implied a comparison of the performance of every member state, and not, as was finally agreed, only the measuring of European averages. These five European benchmarks, to have been achieved by 2010, are:

♦ A reduction of the number of “early school leavers”, to a maximum of 10 percent (defined as those aged 18 to 24 years with only lower secondary education or less [one of the “structural” indicators]);
♦ An increase of at least 15 percent of higher education graduates (ISCED 5 and 6, that is all tertiary qualifications up to PhD level) in mathematics, science and technology;
♦ A share of at least 85 percent of the 22-year olds who have completed upper secondary education;
♦ A reduction by at least 20 percent of 15-year olds with low reading skills (level 1 or lower on the PISA score);
♦ An average level of participation in lifelong learning activities of at least 12.5 percent of the adult working age population (25-64 years) in the four weeks prior to surveying.

**Lisbon at the mid-term: a disappointing performance**

Over the years, the atmosphere of optimism over the Lisbon Strategy gave way to a gloomier outlook. This goes for all policy fields, inclusive of education. It was the European Commission itself which issued the first warning. The Commission Communication *Education & Training 2010. The success of the Lisbon Strategy hinges on urgent reforms*¹⁷ of November 2003 rather bluntly states that the success of the reform process is in danger, that Europe still lags considerably behind its main competitors, and that practically no progress has been made with regard to the “five European benchmarks” in education. Lifelong learning participation rates are said to be low, and no increase in overall educational investment has been achieved. Ongoing reforms of a structural sort (“Bologna”) are rated as helpful, but not enough. Most damning perhaps is the (implicit) criticism that member states show no genuine commitment.

The member states tried to calm down matters. In the joint interim report which the Council had to produce together with the Commission in the first half of 2004, a more mixed overall assessment can be found¹⁸. But containment strategies like these were not able to change the prevailing mood anymore. In November 2004, a ‘High Level Group’ under the chairmanship of former Dutch Prime Minister Wim Kok presented its verdict (on the entire Lisbon Strategy) in a report of the title *Facing the challenge. The Lisbon Strategy for growth and employment*¹⁹. Kok et al. did not mince their words. They

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¹⁸ Cf. “Education & Training 2010”: The success of the Lisbon Strategy hinges on urgent reforms (Joint interim report of the Council and the Commission on the implementation of the detailed work programme on the follow-up of the objectives of education and training systems in Europe) [Official Journal C 104 of 30.04.2004].

spoke of “disappointing delivery”, and they identified the member states as the main culprits, “by failing to act on much of the Lisbon Strategy with sufficient urgency”. Kok, who is a supporter of the Lisbon Strategy, demanded a focused reorientation (overcoming what he calls an “overloaded agenda” with “conflicting priorities”), a clear commitment by member states, and a better implementation to make up for time lost. For, as the report stresses, new competitors (India, China) have gained in strength since 2000, which adds to the urgency with which action is required. As Kok says, “time is running out”.

The Kok-report also lists a small number of successes, such as a rise in the provision of information and communication technologies in schools, universities and administrations, or an increase in Europe’s employment rate (up at 64.3 percent of the working-age population), the latter though mainly through part-time employment. But the general trend identified is that Europe is falling further behind its main competitors, rather than catching up with them and overtaking them, as the strategic goal demands. Labour productivity gains in the years preceding publication of the report have been smaller than those achieved in the US, due mainly to low levels of innovation and investment in research and development, and a predominance of low- and medium-tech industries as a result. Even intra-European Union cross-border trade has shrunk: the completion of the “internal market”, which everyone thought was to be boosted by the introduction of the Euro, is clearly not an irreversible acquis. Disappointing trends of this sort are identified in all policy fields, but Kok et al. are particularly critical of the Union’s record in research, innovation and lifelong learning. Europe’s relative failure is identified, for example, with regard to:

♦ the number of patent applications;
♦ the number of active researchers in the sciences and in engineering (as distinct from those trained in these fields);
♦ the position of European universities in world university rankings;
♦ the number of citations in major international journals;
♦ the number of Nobel laureates, and
♦ the number of EU countries which have reached the target of research spending of three percent of gross domestic product (only two out of 15).

The report also devotes considerable space to the issues of brain drain and brain gain among the highly skilled (knowledge workers). It claims that there is a serious brain drain of young European scientists to the US, and that Europe has problems attracting the world’s best scientists. Further, it repeats the well-known fact that Europe’s universities are under funded, that there is a lack of tax incentives for companies (especially small and medium-sized ones) to honour investments in research and development; and that there are not nearly enough public-private partnerships (PPPs).

Kok and the other members of the ‘High-Level Group’ recommend concentrating future efforts in five policy areas, for each of which they propose a
set of “key recommendations”. Unsurprisingly, the first of these areas is the “knowledge society” (research, innovation, ICTs, attracting and keeping world-class researchers). The others are the internal market (the completion of which must be assured), a business-friendly climate (which must be created); the labour market (whose absorption capacity must be increased), and the environment (which rarely figures so prominently elsewhere in discussions on the Lisbon Strategy). The group also makes suggestions as to a better form of governance of the process (which the European Commission will later pick up), which involves setting specific targets for each country, in line with its particular needs, rather than a ‘one-size-fits-all’ approach.

The ‘re-launched’ Lisbon Strategy

In February of 2005, the European Commission responded to Kok’s criticism – which was largely identical with its own – with a proposal for a re-launch of the Lisbon Strategy. It did so in the form of a Communication entitled Working together for growth and jobs. A new start for the Lisbon Strategy. The Communication was directed at the heads of state and government of the EU member states, who deliberated on it in the spring 2005 meeting of the European Council on 22 and 23 March.

Unsurprisingly, the European Commission did not propose any major policy shift in substance. After all, Kok et al. had endorsed the Lisbon objectives. However, the Commission proposed to prioritise more clearly between the by then very many Lisbon objectives, by putting the emphasis on economic issues (“growth”) and employment (“jobs”). Its proposed “partnership for growth and jobs” does not take the remaining Lisbon pillars, in particular social affairs and the environment, off the agenda. But they appear as subordinate to growth and employment, in the sense that the preservation of the European social model and progress in sustainable development are viewed as dependent on higher growth rates and more employment. Likewise, the key to progress in the economy and the labour market continues to be seen as knowledge-related investment in the areas of education, training, research and innovation. To the many well-known aims of the Education & Training 2010 Agenda, as well as its research and innovation-related agenda, the European Commission added, amongst other things, the idea to create a European Institute of Technology, which has since then become the object of a lively debate.

The major novelties of the re-launched Lisbon Strategy lie in the area of the governance and the management of the implementation process. It is on these changes that the European Commission puts its hopes for improved delivery. They are to overcome the “muddled” responsibilities of the first

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phase, by clarifying who is responsible for what at which stage, and thus strengthening “ownership” of the Lisbon Strategy. The new “Lisbon Action Programme” is to identify clearly what the European Union level is to achieve, in the form of a “Community Lisbon Programme”, and what the member states are responsible for. Each member state is to submit, in the future, its own “National Lisbon Programme”, which is to reflect its peculiar situation and to identify its own priorities, and is to set clear targets, indicators to measure progress towards them, and timelines. This individualized approach is a result of Kok’s criticism of the earlier one-size-fits-all approach. Moreover, the excessive and fragmented reporting of the first phase, which, according to Commission President Barroso, resulted in an abundance of national reports read by no-one, was to be reduced to one single annual report per country, making it easier to keep an overview of progress – or otherwise. Each member state was also to appoint a “Mr.” or “Mrs. Lisbon” at government level, a kind of “national Lisbon coordinator”. In the particular field of education, the member states agreed to develop and publish national strategies for lifelong learning before the end of 2006.

The European Council, in its spring meeting of 2005, largely endorsed the Commission proposals, which thus became official Union policy. No doubt, the changes in governance and the prioritization of aims are a step in the right direction. However, it remains to be seen if this will secure delivery. First signs are not encouraging. The budget for the 7th RTD Framework Programme has become palpably downsized from earlier plans, as has that of the new Lifelong Learning Programme. The Services Directive, on which rested many hopes for a completion of the single market, was watered down in a deplorable way. The EU budget for the period from 2007 to 2013 stayed far below expectations, and anyway continues to provide much more funds for cows than for innovation. In order for the Lisbon Strategy to succeed, the member states will have to pursue a radical reform path, which is not going to make them immediately popular with their electorates. So far, they have not dared. Their dilemma is encapsuled in a quote attributed to Luxembourg’s Prime Minister Jean-Claude Juncker: “We know exactly what to do, but we do not know how to win the next elections once we have done it.”
“Education & Training 2010”: are Europe’s universities on track?

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Over the last five years we have entered a new phase in the growing together of Europe’s higher education, both in the wake of the Bologna Declaration and within the framework of the Lisbon Strategy: after a successful phase mainly focused on organised mobility (which covers the years 1985 to 2000), the emphasis is now shifting (since 1999) to structural change and policy reforms at national and institutional level. This indispensable agenda for the modernisation of universities needs to be seen within the European context and in the light of worldwide developments such as the increasingly knowledge-based economy and society and the growing competition that characterises globalisation. The question is whether European higher education is in a position to face these challenges and to accommodate these changes, and whether this is the case for all higher education institutions in all countries in Europe.

Universities in Europe face bigger challenges and stronger competition than ever before

The reality is that while universities are crucial for future growth and jobs in Europe, they are not at present in a position to deliver their full potential. Most are not well prepared for the increasing challenges and this has resulted in significant performance gaps with respect to their foreign competitors.

Contrary to what many in Europe believe, and in spite of the strong expansion of enrolments in higher education, Europe has fallen behind the US and several Asian countries in terms of access to higher education. The access rate for the 25 European Union member states (EU25) is just 52 percent on average, and in some countries it is as low as 22 percent. This should be compared to 81 percent in the US, 59 percent in Canada, only 50 percent in Japan, but 82 percent in South Korea. European universities have also lost ground in research, in particular at the world-class level, with a much lower share of scientific publications, patents and Nobel prizes than the US. This

* The views expressed here are those of the speaker and do not necessarily coincide with those of the European Commission.

21 The 25 European Union member states are: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, the Netherlands, the United Kingdom
reflects the need for Europe’s higher education to make greater efforts to enhance its attractiveness in the world and to re-establish a more balanced flow of exchanges (in terms of quantity as well as disciplines and levels) across the North Atlantic.

The main factors explaining this situation in European universities are well known:

♦ their fragmentation in rather small systems and sub-systems and their insulation from market needs,
♦ their uniformity within each system,
♦ their over-regulation in many countries, and
♦ severe under-funding, both of higher education (where the US invest per student more then twice as much as Europe) and of research.

In order to change this situation, deep reforms are needed. To gain a sense of direction, let me turn to the two largely coinciding reform agendas that are at work to shape the future of European higher education, namely the intergovernmental Bologna process, in the framework of which the then Ministers of the now 45 participating countries met in Bergen in Norway in May 2005 and the education and training strand of the European Union Lisbon Strategy.

**Bologna reforms after Bergen**

The Bologna Process is mainly about structural change in degrees and curricula, such as the bachelor/master/doctorate structure, the European credit system (ECTS), the diploma supplement, and quality assurance mechanisms. But it has had a significant impact also on the content of courses. Its main merit is to have brought about a lot of curricular renovation, to the extent that I like referring to the European higher education area (EHEA) as a “zone of curricular work in progress”.

At their meeting in Bergen in May 2005, the ministers were presented with a stocktaking of changes achieved or planned halfway down the road to the expected completion in 2010. The stocktaking showed substantial progress in most countries. More than half of the students in the Bologna signatory countries are now enrolled in programmes that are in line with the new system of degrees and almost all EU member states have made provisions for quality assurance systems. But further progress still needs to be achieved on all fronts, and this is why in Bergen the ministers refrained from adding new priorities and preferred adopting concrete measures towards achieving the main pillars of the Bologna process, such as the European Qualifications Framework (EQF) and the quality assurance system, and underlined the importance of making European higher education and European research truly attractive to other regions in the world. These three aspects are key priorities also within the EU context in the Lisbon agenda.
Quality assurance

The ministers in Bergen adopted European standards for three key aspects of quality assurance: the internal quality assurance mechanisms within universities; the external quality assurance or accreditation; and quality assurance agencies themselves.

The ministers endorsed also the establishment of a European Register of Quality Assurance Agencies, thus creating the basis for mutual recognition of quality assurance systems and assessment. All agencies operating in Europe will have to submit themselves to a review by peers on a regular basis.

In addition to these decisive steps in the Bologna process, the European Union has recently adopted a joint recommendation by the European Parliament and the Council of Ministers that not only consolidates similar measures within the EU context, but also defines the quality assurance agency register, requests freedom for universities to choose from all registered agencies, and calls upon governments to take into account the conclusions reached by all agencies in the register. Moreover, the European Commission supports the establishment of European quality labels in various study fields. Such a label has existed for many years in management studies, thanks to the EQUIS scheme run by the European Foundation for Management Development (EFMD) in Brussels. The Commission is now supporting pilot schemes in engineering and chemistry, and it can be expected that some other highly internationalised disciplines or professional areas will soon follow these examples.

European Qualifications Framework

The European Commission is currently working on the European Qualifications Framework (EQF) based on learning outcomes and competences acquired at different levels and in all segments of education and training. In the Bergen meeting, the education ministers endorsed a concrete proposal for the higher education component of this framework. The Commission has released a consultation document on the overall European Qualifications Framework. It will describe eight levels of education and training, from basic skills upwards. These are based on level descriptors that may serve as common references (and nothing more than that) for curriculum development, recognition and quality assurance. Level descriptors will help institutions and learners to find their way, but they should not prevent universities and individuals from making their own original contribution to the creation and gathering of knowledge.

The adoption and implementation of a good quality assurance system in combination with a common but flexible European Qualifications Framework will be decisive steps towards establishing the necessary level of compatibility between Europe's diverse education systems. This will also help citizens to take effectively advantage of this diversity, rather than being constrained by it.
Attractiveness of European higher education in the world

A great merit of the Bologna process is that it underlines the importance of the external dimension of the European higher education area (EHEA). Many countries have taken measures to make their higher education more attractive, through e.g. courses taught in English, better information and marketing, more user-friendly rules and procedures for the issuance of visas, etc. The EU is also working concretely in the same direction, with a view to re-establishing the attractiveness of Europe’s higher education and research in the world. There is a whole range of recent or new European programmes in support of these efforts, like for example Asia-link, Tempus Meda, and Alban (for cooperation and mobility with Asia, the Mediterranean and Latin America respectively). The new ERASMUS MUNDUS programme is based on master-level courses with a strong European dimension and grants for students from around the world registering in them. I should also mention the development of the Marie-Curie scheme, with its henceforward three strands for mobility: 1) within the EU, 2) from the EU to the rest of the world and 3) from the rest of the world to the EU. But we should not forget that other knowledge powers are also interested in attracting the best talent from other countries and are offering new schemes, such as the recently announced Lincoln programme in the USA.

The Higher Education strand of the Lisbon Strategy

Let me now turn to the higher education strand of the Lisbon Strategy, which is based on the ever clearer acknowledgment that higher education is absolutely crucial for the achievement of the EU’s goals about more growth, more and better jobs, and more social cohesion in the era of knowledge and globalisation.

These goals were set out in Lisbon in 2000 as the main directions that will lead the EU into the future. This led in 2002 to the adoption of the Union’s first-ever work programme on education and training systems, known as “Education & Training 2010”. E&T 2010 set for the first time a series of European goals concerning quality, access and openness of education and training in the EU and requests all countries to adopt policy reforms to achieve these shared goals. In education and training, we are therefore on our way towards a Europe with diverse systems, but shared or common goals to which these systems are converging. Soon after the adoption of E&T 2010, it was acknowledged that the need for reforms was particularly acute in higher education, and this opened the door for a whole new higher education strand within the Lisbon Strategy. It calls for the implementation of the curricular reforms launched by the Bologna Process, but adds a lot more in the direction of higher education policies.

The main and major document reflecting this is the recent European Commission communication “Mobilising the brainpower of Europe: enabling uni-
Universities to make their full contribution to the Lisbon Strategy” adopted in April 2005.

The Commission document sets out the main agenda for change required for the modernisation of universities and emphasises three main directions for change:

♦ **profound curricular renovation, with more differentiation** in curricula, admission criteria and teaching/learning processes, in order to cope with the diversity of learners, to encourage the emergence of excellence and to raise Europe’s attractiveness at home and abroad. This diversity needs a minimal degree of organisation at European level, in particular through a European Qualifications Framework and a European articulation of quality assurance systems;

♦ **better system and institutional management** (or “governance”) as an indispensable factor for successful change and reforms;

♦ **higher and more efficient funding**, through targeted investment in quality, innovation and reforms, in order to enable universities to convince stakeholders (state, industry, families) of the value of what they get in return for their investment.

The Communication then calls for urgent action consisting of a mix of university initiative, national enabling, and European support:

♦ a major priority should be to unleash universities’ potential within their national context, based on new types of partnerships whereby universities are responsible for their programmes, resources and outcomes, and the state for the orientation of the system as a whole; a sufficient level of total funding (whatever the particular mix between public and private, basic and competition- or performance-based funding) is indispensable: the member states should stimulate funding from industry and make certain that their model for student contribution and funding guarantees fair access for all qualified students;

♦ at the European level, the main priorities should be: 1) to mobilise all sources of EU funding (Structural Funds, European Investment Bank, the 7th Framework Programme for research) for the modernisation of the “knowledge sector”; and 2) to invest more in outstanding quality and excellence.

The quest for excellence is an aspect that pervades the whole communication and also finds its expression in the Bologna process’ current emphasis on the doctoral level. Excellence is not restricted to a few institutions, but rather exists or can be developed at a significant number of universities in particular areas of research, innovation, teaching, management, student services, lifelong learning, professional retraining, etc. It must be a high priority to identify, link and support these pockets of excellence. A pre-condition for this is to acknowledge that not all universities can be equally research-inten-
sive and not all should do the same kind of research. Excellence can only emerge from a terrain marked by a culture of quality where all different types of exceptional talent can be cultivated.

This quest for excellence lies at the source of two specific initiatives: the new emphasis on doctoral studies and the proposal for a European Institute of Technology.

◆ The new emphasis on doctoral studies includes the intention to re-launch the idea of a “European Doctorate” label that would be attributed to doctoral programmes with a distinctive and proven European dimension. The emphasis is mainly on doctoral schools with a critical mass, European outlook, interdisciplinary scope and active interface with industry and society.

◆ The proposal to establish a European Institute of Technology aims at bringing together the best brains and best companies in Europe. It will need to combine a world-class reputation with a distinctively European identity. The consultation process to gather suggestions about how to make it a successful initiative closed on 15 November 2005. The aim is not to create from scratch a brand new institution, but rather to build on existing ones and on networks, with a view to establishing top-level groups for research, teaching and innovation on specific themes. The EIT will nonetheless need to have an identity of its own, in order to be visible and recognised in the European and worldwide community of best universities.

Where are we now?

Where are we now in Europe with this indispensable, profound and urgent agenda for modernisation, or even restructuring, of the higher education sector? In September 2005 “The Economist” published the view that European universities will not only fail to match their US counterparts, but they will actually be overtaken by Chinese and Indian ones. One does not need to share this very pessimistic view. There is a French saying le pire n’est pas certain – i.e. even the worst predictions are not for certain.

The modernisation process goes on, e.g. with:

◆ the European Council resolution at the end of 2005 to implement the agenda for change laid down in the above mentioned European Commission communication;

◆ fresh impetus from the informal meeting of the European Council in Hampton Court (UK) at the end of October 2005, where universities and R&D were set as the EU’s highest priorities for future action;

◆ indications that the Structural Funds might indeed be used more for the restructuring of the knowledge sector: if 60 percent of these funds were earmarked for the Lisbon priorities, this would result in significantly better funding for higher education systems and institutions;
the new generation of programmes starting in 2007: the Integrated Lifelong Learning Programme that will succeed and unify Socrates and Leonardo da Vinci, the new Marie-Curie programme within the 7th Framework Programme, and the full deployment of ERASMUS MUNDUS.

But of course the main responsibility for change and modernisation lies with higher education institutions and persons themselves. Hopefully this publication gives you some fresh reasons and impetus to take on the challenge.
The death of public higher education:
a premature announcement or an inevitable event?

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Introduction

In the first decade of the 21st century the future of the university is both predictable (and positive?) and problematic (and contested?). In one sense the future of the university is assured. In a knowledge-based society which depends crucially for its economic wealth and social well-being on science, technology and innovation (and also a society in which mass participation in higher education has become a civic, or even a democratic, right) the university clearly has a very big – and a very bright – future. However, in another sense the future of the university is less assured – if the focus is on universities as they have been traditionally organised, funded and governed. There is a growing belief, particularly among politicians and other opinion-formers, that in order to achieve its full potential in this knowledge-based society the university must be reformed (and, typically, this reform is seen as making the university less of a ‘public’ institution and more of a ‘market’ organisation).

The purpose of this paper is to explore this tension between the university as a knowledge organisation and the university as a public institution, which explains its title ‘The Death of Public Higher Education – a premature announcement or an inevitable event?’. This title has been chosen deliberately to re-echo the title of a book, The Strange Death of Liberal England by George Dangerfield, which attempted to explain the sudden and unexpected collapse of a worldview, in essence 19th-century liberalism, which saw no contradiction between industrialisation and capitalism on the one hand and social reform and democracy on the other (most people, apart from a few revolutionaries and also a few extreme nationalists, believed equally and absolutely in both). Until 1914 this worldview went virtually unchallenged. But ten years later it was dead; it seemed to belong to a forgotten world22.

It is possible that a similar, and equally sudden, shift in how universities are perceived may be under way. Universities, particularly in Europe, are still regarded as essentially ‘public’ institutions. But there is no guarantee that this perception will continue indefinitely into the future. As universities become

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increasingly powerful players in the global knowledge economy it may be more difficult to regard universities, however dynamic and innovative, as part of the ‘public’ realm. It is important to recognise that debates about the funding and status of universities are not only technical debates about the right balance between state funding and individual contributions, or between state regulation and institutional autonomy; they are also a debate about values – the fundamental values that universities should embody, ‘public’ and altruistic values or ‘private’ and instrumental values. It is hardly an exaggeration to say that they are debates about not only the future of the university but about its ethos, even its *habitus*.

This chapter is divided into three sections:

I) The **funding of universities** (and of higher education more generally) is considered in the first section. Although these are not merely technical and managerial matters, for reasons which have already been briefly explained, the technical and managerial aspects of the funding of universities must be properly considered;

II) The **governance of higher education** is addressed in the second section – but governance in its widest sense. It is necessary to consider not only the relationship between universities and the State (and, in particular, the autonomy of universities) but also the internal organisation of universities (in other words, their organisational culture – collegial and professional, or executive and managerial);

III) The **values of the university** – intellectual and scientific values but also social and cultural values – are the focus of the third, and final, section. The funding and governance of universities reflect these values, implicitly as well as explicitly. Any changes in the funding and governance of higher education affect its underlying value structures.

**Funding**

It has become a (dangerous?) commonplace to assert that there must be a shift from public to private (or, more accurately, privatised) funding if the university is to flourish in the knowledge society. This appears to present a problem for Europe because, as has already been stated, European universities are – overwhelmingly – public (and often State) institutions. In many European countries it is not possible, for powerful political reasons, to charge students fees. In some European countries, such as Greece, the constitution even forbids the establishment of private institutions. In contrast, in the United States there is a flourishing private sector and state universities charge fees. However, the transatlantic contrast, which apparently confers on Ameri-

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ca a competitive advantage, is not as straightforward as it seems. Three important qualifications must be made:

I) There is significant variation across Europe – a spectrum ranging from some southern European countries typically with very strong public systems (and, often, legal barriers to establishing private higher education institutions); through more mixed systems (much of Scandinavia, the Netherlands and especially the United Kingdom) where private funding is more common and institutions also enjoy greater organisational autonomy; to some central and eastern European systems which are more ‘American’ – in other words, substantial private sectors have developed since 1991 and hybrid fee regimes are permitted (i.e. the State funds a fixed number of free or low-fee places but students may still be admitted if they pay higher fees). So there is no single European ‘model’;

II) The direction of travel seems to be clear – towards charging fees. Where fees are charged there is a tendency for them to be increased (in England students paid no fees until 1997 but will now have to pay up to £3,000 a year). Where fees are still not charged there is pressure to allow them (for example, a recent decision by the German constitutional court has opened the way for individual Länder to charge fees). Why is this happening? The general explanation is that there is no alternative because university funding is being squeezed. On the one hand, welfare states are in crisis which makes it difficult, or impossible, to raise taxes (and have more urgent priorities, e.g. health, social security, school education). On the other hand, universities are often seen as under-funded (certainly compared to – elite – American universities). So it seems that the only way to remain internationally competitive is to increase non-state income;

III) There is also a significant shift in the way that many Governments, in Europe and elsewhere, conceive of their responsibilities in relation to the public funding of universities. They are now less likely to emphasise fiduciary responsibilities – to fund universities in the ‘public good’ (and, to some extent, to insulate them from over-insistent market pressures). They are more likely to see their role as that of an aggregate ‘customer’ on behalf of their citizens; as a ‘contractor’ who is either buying specified goods and services or investing in higher education more generally within the context of improving national competitiveness in the global knowledge society; and even as an ‘auditor’ to guarantee the accountability (and efficiency) of public expenditure25.

However, the apparently inexorable shift towards greater private funding encounters a number of complications. The first complication is that increasing the private funding of universities will not necessarily make them more responsive to the market. Some forms of private funding (for example the

very large endowments enjoyed by American universities such as Harvard) are very safe, secure and predictable – and, therefore, are unlikely in themselves to encourage entrepreneurial behaviour. Conversely some forms of public funding (for example, special programmes which require universities to bid for additional funding) can stimulate ‘market’ behaviour.

The second complication is that the original drivers for state intervention (as a funder rather than simply a sponsor or regulator of universities) remain relevant. There have been two main drivers – to promote social justice and individual opportunity; and to fill a growing funding gap between the needs of the universities and the ability of the private sector to generate the necessary resources. Incidentally both motives were as powerful in the United States as they were in Europe. Also higher education systems (as systems) were very much the product of state initiatives – and were closely linked with development of nation states in the 19th century and bureaucratic and democratic states in the 20th century. It is difficult to find much evidence that either driver (the need to promote democratic participation and the need to invest in universities) has declined in importance; rather the contrary in a globally competitive knowledge based economy and an open opportunity society.

A third complication is the current debate about affordability. It is often argued there is no alternative to more private funding because the State can no longer afford to fund universities properly – which intriguingly is the mirror image of the argument in the 19th century that the State had to supplement the money paid by students to their professors and precarious civic subsidies which had become insufficient to build modern higher education systems. However, the costs of universities are similar regardless of whether the income to meet those costs is provided from public or private sources; they produce the same macro-economic effects. Indeed, because States are able to borrow money more cheaply than the private sector, a case can be made for arguing that public funding is potentially a more efficient way to fund universities. The debate, therefore, is less about affordability and more about political choices. For example, should expenditure on universities be treated as consumption or investment? Ultimately such questions can only be answered in reference to values, different views of the fundamental purposes of higher education.

A final complication is the need clearly to distinguish between public and private funding – because the distinction is not as self-evident as it may appear at first sight. The public funding of higher education takes many forms. First, a clear distinction must be made between funding institutions and funding students; then both these categories must be further disaggregated:

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Institutions:
- The direct responsibility assumed by the State for providing and maintaining University buildings and facilities, and also the indirect responsibility for academic salaries (because professors are civil servants and chairs are formally established by Ministries of Education);
- The core funding by the State of teaching programmes and some core research activities;
- The funding of research (and other special) programmes by Ministries of Education or other Ministries, such as Science, Defence or Agriculture, and also by national research councils;
- The funding provided by other public bodies apart from national Ministries for example, local and regional government agencies and the European Commission.

Students:
- The financial assistance provided to students, whether direct support (grants or loans) or indirect subsidy (for example, cheap or free travel and housing);
- The provision of low interest or zero-rate interest loans to pay for tuition fees and living costs. For example, in England all students, regardless of their parental income, will be eligible to receive zero-rate loans to pay the higher tuition fees (in effect, higher education will be free ‘at the point of use’);
- Other subsidies and tax concessions that benefit both students and institutions – including fees paid by students (or by employers on their behalf), gifts to universities and research and other grants. In most European countries tax foregone is treated as equivalent to public expenditure.

So it is important to realise that the public funding of universities amounts to much more than the budgets provided by Ministries (or intermediate agencies such as higher education funding councils, as in Britain). A clear distinction needs to be made between any genuine switch from public to private funding and shifts within public funding from supporting institutions to subsidising students or from core grants to special initiatives. It is equally important to recognise that the private funding of universities comes from equally heterogeneous sources – user-payments, philanthropy, quasi-commercial contracts and even well disguised forms of indirect public expenditure. There is a growing fuzziness between public and private funding. The State itself is behaving in an increasingly market-like way, while among the most dynamic markets in post-welfare state economies are ‘near-state’ sectors such as the out-sourcing and privatisation of public services and the development of public-private partnerships. At the same time the State is reinventing itself as a customer or contractor. The result is a confusing overlap between ‘public’ funding and ‘private’ funding.
Two conclusions can be drawn from this brief discussion of funding. First, it is clearly right that universities should be open to new types of funding. Just as students have become more diverse, and academic programmes have become more varied, so – inevitably – patterns of funding will also become more diverse and varied. The funding regime that is appropriate for traditional academic disciplines is not necessarily appropriate for continuing professional development. Secondly, the central importance of public funding for universities needs to be reaffirmed – to maximise their effectiveness in a knowledge-based society; not simply to maintain their traditional integrity (although over the long haul they are the same thing: universities are most ‘useful’ to society if they are allowed to remain autonomous spaces within which scientific innovation and intellectual curiosity can flourish)\textsuperscript{27}.

**Governance**

Closely linked to the debate about the future funding of universities is a second debate about whether the links between public universities and the State should be loosened. Linked to that debate is a third debate about the internal governance of universities (and about their organisational culture). All three are connected. If universities receive a higher proportion of their income from private sources, the State is likely to take less responsibility for the detailed administration of universities; and, in turn, if the State takes less responsibility for the detailed administration of universities, universities themselves will have to enhance their own management capacity. Two consequences are likely to flow. First, the organisational culture of universities may be substantially modified leading perhaps to a shift in the internal balance of power from the academic caste to the managerial class. Secondly, universities will have to invest in improving their management information and other systems, because they are no longer ‘managed’ from within Ministries.

However, these three phenomena – the shift to private funding, the retreat of the State and the growth of a stronger managerial culture in universities – and the presumed links between them are more complex than this straightforward description suggests. The first qualification is that increased private funding does not automatically lead to the retreat of the State from detailed decision making. The most significant change is not a linear shift from public funding to private funding, which in most countries has been rather limited; the most significant changes are the growing diversity of both public and private funding streams and the increasing fuzziness which makes it more and more difficult to make a clear distinction between public and private funding. The challenge faced by universities is how to manage a plurality of funding

streams. So they do not necessarily enjoy greater freedom (because managing a diversity of funding streams is a difficult and complex business).

Nor is the State always willing, or even able, to retreat from detailed regulation. First, as has already been explained, the State has often redefined its role as that of a customer (or contractor on behalf of tax-payers). Secondly, the State has assumed a new, and influential, role as a regulator – for example, in quality assurance. Finally, the State in plural sense is often the source of many of new quasi-public but also quasi-market funding streams. Consequently, the assumption that more private funding (or, at any rate, non-State funding) produces autonomy for universities may be misleading. Certainly in Britain, increasing and more intrusive regulation of universities by the State and its various agencies (and these various interventions are not well coordinated, which creates additional difficulties for universities) has gone hand-in-hand with rapid advances towards introducing a quasi-market system of higher education28.

The second qualification is that the important changes that are taking place in the internal organisation and management of universities cannot be wholly attributed to either the shift to private funding (or, more accurately, plural funding) or reforms in the relationship between universities and the State. These changes are attributable to new organisational dynamics within universities as much as to any modification of external conditions. Three changes are particularly worth noting.

I) The first is the emergence of a much stronger managerial culture, even in more traditional universities. For example, in several European countries rectors are no longer elected from, and by, university professors (and even wider constituencies, including substantial student representation), even if these elections had to be confirmed by Ministries; instead rectors are chosen by governing or management boards which typically include influential representatives of the political and business communities. However, the intention is not to subordinate universities to these external influences but to improve the quality of their management.

II) The second important change is the reshaping of the academic profession29. As a result of the reform of working practices within universities, a whole range of new developments (for example, individual appraisals, the assessment of research productivity, surveys of student satisfaction) are transforming the lives of professors and other teachers and researchers in universities.

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III) The third significant change has already been mentioned – the development of sophisticated management systems by universities which have now become large and complex organisations. These systems create their own dynamics, increasing the potential for accountability and even surveillance but also enabling more ambitious projects to be undertaken. But all three changes are perhaps better seen as endogenous phenomena rather than the products of external pressures or constraints.

Values

The funding of universities (less public and more private?) and the governance of universities (less collegial and more entrepreneurial?) cannot be treated merely as expert and technical questions to which it is necessary to find expert and technical answers. Rather different patterns of funding and governance make powerful statements about both the purposes of universities and about the academic and social values they embody – and these statements are read as such, certainly by students and academic and administrative staff inside universities, but also by politicians and public opinion citizens. So debates about funding and governance lead not merely to an internal debate within the university about values; it is also an external political debate about the purposes of higher education.

In the context of purposes and values three considerations are important. First, the changing balance of opinion in the debate about the funding of universities may indicate a significant shift in how the social and intellectual roles of universities are defined – away from a model rooted in notions of individual enlightenment, democratic opportunity, critical scholarship and disinterested science to a new model influenced more by instrumental considerations (which arise from the dynamics of the knowledge society – or, at any rate, the free-market high-tech version of a knowledge society). Issues of social equity are now less likely to be addressed by a determination to extend participation in higher education than by a concern to ensure a due proportionality between costs and benefits. As a result it is argued that poorer people, who are less likely to benefit from higher education personally, pay taxes that pay for – or, at any rate, subsidise – higher education systems which overwhelmingly favour the middle classes.

It is certainly true that social class is still a major determinant of access to university (although it is not true that taxes paid by non-graduates do not subsidise universities, overwhelmingly it is those who benefit from higher education who pay the taxes that provide the funding for universities). But the argument about the socially regressive nature of public funding exposes the assumptions about access to higher education – essentially that it should be

confined to the academically able (defined in terms that inevitably advantage the socially privileged). Despite (or even because of?) the advance towards mass higher education there is a risk that any reduction in public funding could bring about the very thing to which some opponents of public funding allegedly object so strongly: a much sharper social class hierarchy in terms of opportunities to access to higher education.

The second consideration is that the funding debate (in which supporters of public funding of universities are firmly on the defensive) also reveals powerful assumptions about the role of the university within a knowledge society. The greater the emphasis on rates-of-return – for university graduates, and intellectual property in the context of research – the more a particular account of the knowledge society is privileged at the expense of other accounts, i.e. the knowledge society as essentially a free-market high-technology formation in which knowledge has become a commodity and scientific and intellectual skills are defined almost exclusively in terms of their instrumental value. But there are other equally valid accounts of the knowledge society that emphasise the process of innovation which depends on the much wider social distribution (maybe even the democratisation) of knowledge or the importance of cultural knowledge within complex processes of global-local mediation. Those who emphasise the need to shift away from the public funding of universities and to require the ‘direct’ beneficiaries to make a more substantial contribution to the cost of providing higher education are, in effect, ‘taking sides’ about social futures: they are choosing the free-market high-tech road as opposed to, for example, the collectivist and democratic road31.

The third consideration refers back to the title of this chapter ‘The Death of Public Higher Education – a premature announcement or an inevitable event?’. How societies choose to fund their universities – or their schools or hospitals or museums – is a profound statement of cultural intent. Most European university systems are public systems. Not because the State wishes to control universities or because universities wish to be insulated from the pressures of the market; but because their core activities – teaching and research – are a key element in constructing the ‘public’. Universities are still seen as serving the public interest in ways that transcend any incidental benefits they confer on individuals. Historically European universities were seen as the embodiment, the culmination, of wider and older traditions of Enlightenment, of democracy, of emancipation – all of which have gone to constitute a notion of the ‘public’ which, above all, is an intellectual ideal as much as, or more than, a set of administrative arrangements. There is clearly a danger that these vital connections might be lost – in a fit of absent-mindedness, a fit of cultural amnesia – rather than as that grand self-confident 19th-

century civilisation came to grief in 1914 and the following years. The European project of the past half century has been an attempt to reconstitute at least the better elements of that civilisation. Maybe if the idea of a ‘public higher education’ were to be allowed to lapse, its inevitable reconstitution would be an equally long and complex process.

References


Why some university systems are collapsing: realities from Europe

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Introduction and summary

The paper takes stock of the state of universities in Europe compared to the rest of the world. It presents objective indicators showing that the quality of European universities lags considerably behind that of universities in other countries, especially in the United States. The reasons European universities are laggards in the world league are identified. An example of the collapse of a European university system is given, along with the reasons for the collapse.

The above situation is compared to efforts made by the European Union to reverse the downhill trend of higher education in the old continent. Despite many noble efforts, the paper paints a bleak future for European universities. The reasons for this pessimism are sought in the political economy of necessary radical education reforms that are resisted by the voters.

University performance indicators

There are two kinds of university performance indicators: those based on inputs to the system, such as the amount of spending per student, and those based on measures of output of the system, e.g., the employability of the graduates or the number of Nobel Laureates in the faculty. Input indicators have been traditionally used to rate universities. However, this is equivalent to looking where the light is, rather than where the keys were lost. Output indicators are more difficult to document, but this is where university quality lies.

To put it in other words, the amount of spending per student might be a necessary but not a sufficient condition to rate university systems. The reason is that university resources might be spent inefficiently, i.e. supporting activities not related to learning or not leading to graduate employment and Nobel prizes (an indicator of the quality of research) among the faculty.

But even starting from the most aggregate and popular input indicator, Table 1 shows that Europe lags considerably behind the United States, even on the

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* Sections of this paper are from Psacharopoulos, G. and S. Tasoulas, “Achievement at the higher education entry examinations in Greece: A Procrustean approach”, Higher Education, 47(2) 2004: 241-252.
necessary condition for university quality. Of its national resources (GNP), Europe commits to higher education less than half of what the United States spends. This is reflected also in the expenditure per higher education student: about US$20,000 in the United States, vs. about US$10,000 in European countries (Table 2).

### Table 1. National spending on higher education

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Higher education spending as % of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2.7</td>
</tr>
<tr>
<td>Europe – 25</td>
<td>1.2</td>
</tr>
</tbody>
</table>

*Source: OECD (2003)*

### Table 2. Expenditure per higher education student

<table>
<thead>
<tr>
<th>Country</th>
<th>Exp/student in US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>20,500</td>
</tr>
<tr>
<td>Australia</td>
<td>12,400</td>
</tr>
<tr>
<td>Germany</td>
<td>11,000</td>
</tr>
<tr>
<td>France</td>
<td>9,000</td>
</tr>
<tr>
<td>Portugal</td>
<td>7,000</td>
</tr>
<tr>
<td>Greece</td>
<td>4,700</td>
</tr>
</tbody>
</table>

*Source: OECD (2005)*

Moving to output indicators, the United States dominates the world in terms of citations to scientific publications with a share of about 70 percent compared to 30 percent for the rest of the world. Figure 1 presents the trend in the physics Nobel prizes between 1938 and 1998. Whereas the dominance of the United States has been steady and increasing, the performance of European universities has collapsed. The question is “Why?”, and whether there is any realistic hope for reversal of this trend in the foreseeable future. The same deteriorating trend applies regarding the translation of scientific publications to patents. The chasm between the United States and Europe is vast and increasing.
In recent years, university quality measures have been developed based on an algorithm of such output-based sub-indicators, as the number of scientific publications and Nobel Laureates (Times Higher Education Supplement 2005; Shanghai Institute 2005). As shown in Table 3, in the latest world ranking of universities the United States dominates by far the rest of the world, and especially Europe. Out of the top 20 universities 17 are in the United States, only two in the United Kingdom, and one in Japan. The first continental European university appears on rank 41 (Utrecht).
**Table 3. The World rank of universities**

<table>
<thead>
<tr>
<th>World Rank</th>
<th>Institution</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Harvard University</td>
<td>USA</td>
</tr>
<tr>
<td>2</td>
<td>University Cambridge</td>
<td>UK</td>
</tr>
<tr>
<td>3</td>
<td>Stanford University</td>
<td>USA</td>
</tr>
<tr>
<td>4</td>
<td>University California – Berkeley</td>
<td>USA</td>
</tr>
<tr>
<td>5</td>
<td>MIT</td>
<td>USA</td>
</tr>
<tr>
<td>6</td>
<td>California Inst Tech</td>
<td>USA</td>
</tr>
<tr>
<td>7</td>
<td>Columbia University</td>
<td>USA</td>
</tr>
<tr>
<td>8</td>
<td>Princeton University</td>
<td>USA</td>
</tr>
<tr>
<td>9</td>
<td>University Chicago</td>
<td>USA</td>
</tr>
<tr>
<td>10</td>
<td>University Oxford</td>
<td>UK</td>
</tr>
<tr>
<td>11</td>
<td>Yale University</td>
<td>USA</td>
</tr>
<tr>
<td>12</td>
<td>Cornell University</td>
<td>USA</td>
</tr>
<tr>
<td>13</td>
<td>University California – San Diego</td>
<td>USA</td>
</tr>
<tr>
<td>14</td>
<td>University California – Los Angeles</td>
<td>USA</td>
</tr>
<tr>
<td>15</td>
<td>University Pennsylvania</td>
<td>USA</td>
</tr>
<tr>
<td>16</td>
<td>University Wisconsin – Madison</td>
<td>USA</td>
</tr>
<tr>
<td>17</td>
<td>University Washington – Seattle</td>
<td>USA</td>
</tr>
<tr>
<td>18</td>
<td>University California – San Francisco</td>
<td>USA</td>
</tr>
<tr>
<td>19</td>
<td>Johns Hopkins University</td>
<td>USA</td>
</tr>
<tr>
<td>20</td>
<td>Tokyo University</td>
<td>Japan</td>
</tr>
</tbody>
</table>

*Source: Shanghai Institute of Technology (2005)*
But where are the old European bastions and household names of Heidelberg, Bologna and Sorbonne? Heidelberg ranks 71st. Bologna comes to place 203-300, i.e. an average rank of 250 (the Shanghai index groups institutions into rank bands after the top 100). It is in the same rank band as the University of Beijing and the Universidad Estadual Campinos in Brazil. Sorbonne is made up of four universities (Paris I, III, IV and V). Only one of them (Université de Paris V) appears in the list of the top 500, in rank band 153-202 – i.e. in the same group with the Tsing Hua University in China, the National Autonomous University of Mexico and the University of Alabama in the United States. The other three Sorbonne universities do not even make it onto the list of the top 500. This is in sharp contrast to the opening statement on the homepage of Sorbonne: “Depuis le XIIIème siècle, la Sorbonne est [...] dans le monde, le haut lieu de la vie intellectuelle” (Sorbonne 2006). Surely this was true for several centuries, but not for the one we live in today.

Beyond such statistical indicators, there is plenty of qualitative evidence that the United States universities are the leaders in terms of quality. E.g. top professors are moving from Europe to the United States where their salaries are a multiple of those in Europe, and where research opportunities and funding are ample. Students also vote for United States universities “with their feet”, i.e. foreign students are competing for admission to the top US universities. True, a recent drop in the rate of increase of foreign student has been noticed, but this is a blip side effect of the security and visa situation since the 9/11 events.

A polar country case

In search for answers to the question why European university systems are collapsing, let us look at the Greek system as a polar case of an already collapsed system. Ten years ago, an OECD report on higher education in Greece noted that “at the present state, one cannot talk about university institutions” (OECD 1996). Today the situation is much worse. In terms of input indicators, Greece spends the least among European countries per student, and commits the least of its GNP to higher education. In terms of output indicators, the unemployment rate among recent higher education graduates runs into double digits. Out of the 20 Greek universities, only two appear in the Shanghai list: the University of Athens in rank 203-300, and the University of Thessaloniki in rank 301-400. In spite of high graduate unemployment, the demand for entry into higher education far exceeds the available places and each year the university entry examinations dominate the headlines of the newspapers. At the same time, and perhaps consequently, Greece holds the world record in terms of numbers of national students abroad relative to its population32.

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The clue to such decadence can be found in the country’s Constitution. Article 16 of the Greek Constitution says that “Art and science, research and teaching shall be free and [...] an obligation of the State [...] All Greeks are entitled to free education at all levels at State educational institutions [...] Education at university level shall be provided exclusively by institutions which are [...] public law legal persons [...] under the supervision of the State [...] Professors of university level institutions shall be public functionaries [...] and [...] shall not be dismissed [...] The establishment of university level institutions by private persons is prohibited”.

Obviously, over the years the Greek state could not foot the bill to satisfy the rising social demand for education offered at zero price. Initially, rationing of places was imposed in a Procrustean manner by means of highly competitive national entry examinations. Yielding to political pressure for entry into higher education, the government expanded short-cycle (polytechnic type) tertiary education, now accounting for about one half of the entrants into tertiary education. The reason for doing so was that the cost per student in short-cycle higher education is half the cost of a university student. More students were admitted, lowering the overall quality of the system. As if this was not enough, new university faculties have sprung in various cities to satisfy the electorate, and a school for priests recently received quasi university status.

**Cherchez l’Etat**

It should have become clearer by now that the chief villain for the collapsing of universities in Europe relates to the dominant role of the state in managing universities. Let us revisit Table 1, above, and split university financing into a private and a public component. The chief characteristic of American higher education is not only in the higher level of resources devoted to tertiary education, but also the higher ratio of private resources compared to state funds. In the United States, the share of private sources of the overall university financing is ten times bigger than the share of private financing in Europe.

### Table 4.
The relative private share of the GNP devoted to tertiary education

<table>
<thead>
<tr>
<th>Country</th>
<th>Total (%)</th>
<th>Public (%)</th>
<th>Private (%)</th>
<th>Private/public ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2.7</td>
<td>0.9</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Europe – 25</td>
<td>1.2</td>
<td>1.0</td>
<td>0.2</td>
<td>0.2</td>
</tr>
</tbody>
</table>

*Based on OECD (2003)*

The reason for the fact that a higher private-to-public ratio relates positively to university quality lies in the performance incentives that come with it. When university financing is coupled with the provision of university services, there is no external accountability of university performance. By contrast, in a relatively more private system, professors and students are up on their toes regarding performance. There are less perennial students in such system and professors can really be fired if they do not perform. They are also paid more in tune with their productivity, as opposed to a system where professors are civil servants with life tenure.

Figure 2 shows the approximate relative position of selected countries regarding their degree of privatisation of higher education finances.

**Figure 2.**
**The private share of higher education financing as % of the GNP**

Not surprisingly, Table 5 shows a correlation between the degree of higher education privatisation and university quality.
Table 5. Private resources to tertiary education and number of universities in the World Top 100

<table>
<thead>
<tr>
<th>Country</th>
<th>Private share of GDP to tertiary (%)</th>
<th>Number of universities in Top 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Austria</td>
<td>0.0</td>
<td>1</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.0</td>
<td>1</td>
</tr>
<tr>
<td>Finland</td>
<td>0.0</td>
<td>1</td>
</tr>
<tr>
<td>Greece</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Norway</td>
<td>0.0</td>
<td>1</td>
</tr>
<tr>
<td>Belgium</td>
<td>7.7</td>
<td>0</td>
</tr>
<tr>
<td>France</td>
<td>9.1</td>
<td>4</td>
</tr>
<tr>
<td>Portugal</td>
<td>9.1</td>
<td>0</td>
</tr>
<tr>
<td>Germany</td>
<td>10.0</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>11.1</td>
<td>1</td>
</tr>
<tr>
<td>Sweden</td>
<td>11.8</td>
<td>4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>16.7</td>
<td>2</td>
</tr>
<tr>
<td>Ireland</td>
<td>20.0</td>
<td>2</td>
</tr>
<tr>
<td>Spain</td>
<td>25.0</td>
<td>0</td>
</tr>
<tr>
<td>UK</td>
<td>30.0</td>
<td>11</td>
</tr>
<tr>
<td>Canada</td>
<td>38.5</td>
<td>4</td>
</tr>
<tr>
<td>Australia</td>
<td>43.8</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>54.5</td>
<td>5</td>
</tr>
<tr>
<td>USA</td>
<td>66.7</td>
<td>51</td>
</tr>
</tbody>
</table>

Source: Column (2) based on OECD (2003), p. 208
Column (3) based on Liu (2004)34

Adam Smith comes back to play, with his lament on the sad state of instruction at Oxford of his time\textsuperscript{35}. Since dons had lost their commitment, he suggested that the only way to improve instruction was to stop dons’ salaries and replace them by a class entrance fee paid by the students who wish to attend a certain don’s lectures. Actually, this is another point in case, to explain why Oxford appears today in the list of the top 20, whereas Heidelberg, Bologna and the Sorbonne do not. In spite of its name and success, Oxford realised that it is dropping behind rival institutions in the United States. So, beyond adopting the increased tuition fees of about £ 3 000 per year (at the undergraduate level), Oxford appointed recently as vice-chancellor a successful businessman, who started running the institution like the CEO of a multinational company\textsuperscript{36}.

True, much of Oxford’s, Harvard’s and Stanford’s resources come from donations and other non-private sources. Universities these days base their finances on a variety of sources. Even a “private” university receives grants from the state. But what matters for university excellence, is not really the legal nature of the institution but who really takes the key university decisions. Table 6 shows the difference between public and private university systems on this dimension. Without exaggeration, many European universities today resemble nationalised industries that are on the way out in other sectors of the economy.

Table 6. Critical decisions pertaining to universities, and decision makers in public and private university systems

<table>
<thead>
<tr>
<th>Decision</th>
<th>Decision maker in a Public Univ. system</th>
<th>Decision maker in a Private Univ. system</th>
</tr>
</thead>
<tbody>
<tr>
<td>University budget level</td>
<td>State</td>
<td>University Students</td>
</tr>
<tr>
<td>University budget allocation</td>
<td>State</td>
<td>University</td>
</tr>
<tr>
<td>Tuition fees</td>
<td>State</td>
<td>University Students</td>
</tr>
<tr>
<td>Hiring professors</td>
<td>State</td>
<td>University</td>
</tr>
<tr>
<td>Professorial pay</td>
<td>State</td>
<td>University</td>
</tr>
<tr>
<td>Professorial promotion and tenure</td>
<td>State</td>
<td>University</td>
</tr>
<tr>
<td>Admissions policy</td>
<td>State</td>
<td>University</td>
</tr>
<tr>
<td>University entry choice</td>
<td>State</td>
<td>Students</td>
</tr>
</tbody>
</table>

\textsuperscript{35} Smith, Adam. \textit{The Wealth of Nations}, 1776.
\textsuperscript{36} Business Week, December 5, 2005, pp. 21-24.
Any degree of privatisation, however defined, is an anathema in public opinion, voters, and consequently politicians. To those groups, it would be better if higher education were to be offered free for all, as stipulated in the Greek Constitution, of course without looking at the other side of the coin, i.e., who will really pay and what are the implications of public financing to the institutions.

One argument against the privatisation of higher education is that the poor would be excluded. This is not true, as at close scrutiny of the existing public financing systems, even in countries where higher education is free, it is really the poor who pay for the higher education of the rich\textsuperscript{37}. The regressive incidence of public expenditure on higher education has been documented in countless studies, from Hansen and Weisbrod to Vawda\textsuperscript{38}. Without exception, in all countries, the rich appropriate a higher share of public expenditure on higher education than the poor.

Another argument against privatisation is that higher education is associated with externalities, i.e. beneficial effects to society at large that are not captured by the individual. Hence, the argument goes, higher education should be subsidised. Alas, there is lack of robust evidence on this hypothesis. On the contrary, there is plenty of evidence that most of the higher education benefits are internalised by those who attend university and have higher earnings over their lifetime relative to the rest of the population.

Still another argument is that there are capital market imperfections, i.e. the poor could not borrow to reap the benefits of higher education\textsuperscript{39} However, several new funding schemes appear in theory and in practice, such as individual learning accounts\textsuperscript{40} and human capital contracts\textsuperscript{41}. Student loans are equitable, because it is those who benefit who will ultimately pay. They are also efficient, in the sense that having to take financial responsibility for their own education, students would make wiser choices on the subjects they study and, certainly, would graduate faster.

\textit{Cherchez l’\'economie politique}

Perhaps the most persuasive explanation on why public university systems still dominate worldwide is that of political votes. Telling the electorate that in the name of equity higher education is free generates votes. Alas, it is only

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\bibitem{DICE} DICE, "Individual learning accounts", \textit{CESifo DICE Report}, 2 (1), 2004: 59-60.
\end{thebibliography}
the highly educated (still a minority) who understand the fallacy of the argument. But they also tacitly accept that populist argument because it is in their interest to have their children study free in a state university system. And given that a university degree is a passport to civil service jobs, the question of quality of the degree is hidden under the carpet.

Throwing more public money to universities will not necessarily lead to academic excellence under the dominant finance model (dashed arrow in Figure 3). But if the same money was channelled through the hands of the students (solid arrows in Figure 3), the efficiency and equity of higher education would be enhanced. This major institutional change would mean that the state stopped paying university salaries and the like, and each university would survive based on the willingness of the students to enrol and pay tuition fees. Some universities would close down, while others would excel. The state could continue to finance higher education, although it would not be a producer of university services. What the state spends on education today could be given to the students in inverse proportion to family income. Wealthier students would receive nothing from the state and would have to pay full tuition. Less wealthy students would get vouchers to buy university services from a producer of their choice. Of course such institutional change could not happen overnight, but in my opinion this is the direction to go for better higher education in Europe.

**Figure 3. Direct vs. Indirect University Funding**
La noblesse oblige

It was not until some time in the 1990s when Europe realised that it was academically falling behind the United States. Some countries like the United Kingdom adopted politically unpalatable measures to try to correct the situation by injecting a degree of privatisation into the university system, namely by raising tuition fees. Yet, according to The Economist, “the price and quantity of courses are state-controlled, in a system more suited to Soviet central planning than a modern democracy.”

Most countries on the continent stuck to traditionally free and low quality mass higher education. Current debate in continental Europe focuses on the amount of resources the state devotes to higher education, without questioning how the resources are used. There is a move towards a three vs. four years first higher education cycle, without asking what would be taught during those years (Bologna Declaration 1999). There is also a central effort by the European Ministers of Education to set a centralised process for university quality control. One can well imagine what the quality of Harvard, Yale and Chicago would be if these institutions were controlled by a central body in Washington, DC.

The European Commission started getting interested in the subject and is asking some good questions. But the Commission is handicapped regarding action because, according to the Treaty of Rome, education policy is in the hands of individual countries. The EU education ministers met in Prague in May 2001 to discuss a possible European Higher Education Area. In their communiqué they “…supported the idea that higher education should be considered a public good and is and will remain a public responsibility (regulations etc.).” Beyond the wrong use of the term “public good”, such thinking among European education ministers does not augur well for a radical institutional change in European higher education.

It is not the first time that noble efforts by international organisations to improve education have failed. It is a pity that no lessons were learned from a similar grandiose and unrealistic resolution taken at the 1960 Addis Ababa summit.
conference of the African ministers of education, stating that there would be universal primary education enrolment by 1970, without even asking how such massive expansion would be financed, or what would be the quality implications48 (Psacharopoulos 1989).

In 1990, the World Bank joined forces with UNESCO, UNICEF and the UNDP to launch the Education for All (EFA) initiative49. EFA called for universal primary education by the year 2000. Of course this goal was not attained. At the 2000 Dakar World Education Forum, the target year of EFA shifted to 2015. The United Nations Millennium Development Goals included, among others, achieving gender parity by 2005. Yet at the time of writing this article, all these commendable goals are seriously off track. In spite of the World Bank’s “Fast Track Initiative”, it is unlikely that gender parity or primary education for all will be achieved in this century50.

**Left hand, right hand**

In today’s Europe there is a divide between the protected non-competitive higher education area, and the drive for the internal market and international competitiveness51. Unless there is a radical institutional shake-up away from direct state finance and control of universities, academic excellence on the old continent will keep slipping away to more progressive places in the world.

There is a major contradiction in the Commission’s noble efforts to make the Sorbonne regain its place in the world league of higher education. On the one hand, the Lisbon Strategy is based on the concept of competitiveness to achieve its targets. On the other hand, higher education remains protected in the hands of the state. In all Commission documents and ministers of education communiqués, the idea of the “responsibility of the state” remains. I have to pessimistically conclude that unless this etatist mentality is broken, European higher education will not only fail to catch up with the United States, but it will fall further behind in the years to come.

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The adaptation of institutional governance structures in European higher education institutions

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Introduction

While over the last 25 to 30 years many far-reaching changes have been introduced in the governance of higher education systems and institutions, this has not led to a common overall understanding or agreement on the most effective mode of higher education governance. It almost seems as if governance change as such has become a permanent feature of higher education worldwide. However, a closer look reveals that a number of changes have been accepted and institutionalised in many countries. For example, at the system level the belief in the benefits of using market types of steering in higher education has led to a growing reliance on competition in the distribution of public funds for teaching and research. At the institutional level the role and position of formally appointed or elected leaders, managers and administrators have been strengthened and professionalised at the cost of the general involvement of the academic staff in institutional governance matters. While until the 1980s institutional management and administration was seen by many inside and outside the institution as a necessary evil, it has since then become in many respects a self-justified activity. As part of this overall development institutional autonomy was increased in a number of areas. As indicated in national and supra-national white papers and other policy documents, higher education institutions are expected to be more responsive, more effective, and more efficient. It is assumed that a more direct interaction between higher education institutions and their environments is a condition for this expectation to be realised.

This change dynamics that combines adaptation and continuation has led to a complex set of dilemmas that higher education institutions face in their internal governance structures. In this paper the main developments with respect to institutional governance will be discussed on the basis of four of these dilemmas, i.e. democracy versus effectiveness, external versus internal orientation and representation, integration versus separation, and centra-
lisation versus decentralisation. These discussions will allow us to draw some conclusions on the nature of the changes taking place and the direction in which institutional governance structures are developing.

**Four dilemmas with respect to institutional governance structures**

*Democracy versus effectiveness*

In the relevant literature two main perspectives can be found with respect to the tensions between the democratic and effectiveness/efficiency dimensions in institutional governance structures in the OECD countries.

The first perspective interprets the demands for democratisation of institutional governance structures at the end of the 1960s/early 1970s as a temporary phenomenon. The authorities responded to the demands from students and non-professorial staff for more democracy in intra-institutional decision-making structures by introducing governance structures that addressed these demands. These democratic structures were in general institutionalised in relation to the demands formulated at the height of the student and staff revolts. As a consequence the new governance structures leaned towards over-emphasising the need for democratic involvement of all relevant groups in the institutional decision making processes, and under-emphasising the need for effective and efficient decision making processes in higher education institutions. This became gradually clear when adaptation was deemed more and more necessary by an environment that became more demanding with respect to higher education. Also the second perspective suggests that there is a link between the current adaptations of the democratic governance structures and the traditional governance structures that were in place before the changes in the 1960’s. However, this perspective does not see the democratisation of institutional governance as a temporary process, but rather as a logical step in an evolutionary process of institutional management.

*Integration versus separation*

The issue of integrated versus separated institutional governance arrangements refers in the first place to the way in which administrative and academic decision-making positions are organised. When these positions are integrated they are the responsibility of an individual actor or a collective body, implying that one person or body holds the decision-making authority with respect to academic as well as administrative matters. This structure is also referred to as one-headed leadership or management. Separated positions imply that there is a separation between the actors and bodies responsible for administrative matters and those for academic matters. If the latter is the case the administrative and academic decision-making bodies can be either equal or in a hierarchical position to one another, implying that in cases of disagreement or conflict either the administrative or the academic leadership
has the final say. A specific form of a separated governance arrangement is a ‘dual structure’ referring to the side by side existence of an executive body and a controlling council consisting of elected representatives of the university population.

**External versus internal**

This dimension refers both to the balance between internal and external members in institutional executive and governing bodies, as well as to the internal versus external focus of these bodies. Which actors and bodies have a responsibility with respect to the private life of the institution and which to the public life?

**Centralisation versus decentralisation**

One of the most obvious and important consequences of the changes in the institutional governance structures concerns the changes in the distribution of authority. In general a shift has taken place from the central government to the institutions, in other words a decentralisation of authority. However, at the same time in many countries a centralisation of power inside the institutions has taken place.

Using these four dimensions, how can the main developments with respect to institutional governance structures in universities and colleges be interpreted?

**Democracy versus effectiveness**

It has taken until the 1990s before the first serious adaptations of the institutional governance structures became visible in Continental European universities and colleges. Some scholars suggest that the governance structures introduced over the last decade can be interpreted to some extent as a return to the governance structures from before the democratisation wave of the 1960s/1970s. This does not imply that the democratic dimension in institutional governance is reduced to zero, or that the new structures are an exact copy of the orthodox, pre-1960s model of institutional governance. Instead what is suggested is that in the adaptations of institutional governance structures that started in the 1990s specific elements can be observed that were also part of the governance structures that were replaced by the democratic structures. Among the most important of these elements is the wish to have more effective and efficient structures, to be realised especially by limiting the number of actors directly involved in institutional decision making.

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53 See e.g. Boer, H.F. (2003), *Institutionele verandering en professionele autonomie*, Enschede: Cheps, Universiteit Twente.
An interesting example in this is offered by Austria where the recent university reform intended, amongst other things, to limit the negative effects of the ‘democratisation’ of the universities. Measures in this were, for example, the abolishment of the civil servant status for all future staff appointments and increased competition for the advancement to the professorial position\textsuperscript{54}.

As mentioned above, others suggest that the democratisation of institutional governance is a logical step in an evolutionary process of institutional management. In Europe this perspective is to be positioned especially in the British higher education context. This can be illustrated by the following quote from Reed\textsuperscript{55}:

\textit{.. the virulent hybridising dynamic of the 1980’s and 1990’s can be seen to have its political and organisational roots in a cultural critique of university elitism and hierarchy that became increasingly influential in the 1960’s. In this respect, the new managerialism of the 1990’s may be seen as an ideological and organisational offspring of a much earlier phase of critical scrutiny and evaluation that simply could not anticipate the triumph of a managerialist discourse and practice thirty years later”}.

In this perspective a kind of hybridisation has occurred where the democratic and effectiveness dimensions in institutional governance exist side by side, but with great contradictions and tensions between them.

\textit{Integration versus separation}

The Dutch case illustrates the specific nature of this dilemma\textsuperscript{56}. The 1997 Dutch law on university governance made an end to the up till then dual structure by changing the nature of councils from control to advisory bodies and strengthening the position of executive structures throughout the university. In the two-level Dutch university governance structure this implied that centrally the control and approval function of the council was taken over by a new body, i.e. a board of trustees. In addition, the power of the central executive board was enlarged. At the faculty level the dean became responsible for all administrative and academic matters, while the council changed from a control to an advisory body. It was up to the dean to decide upon the nature of his/her support structure. The latter included the decision with respect to the position of the head of administration. While before 1997 each faculty had a faculty director who was reporting directly to the central institutional administration, i.e. in most cases the university secretary, from 1997 on the


\textsuperscript{56} De Boer, Op. Cit.
dean had to decide how to organise the administrative support staff of the faculty. If the dean decided to appoint a head of the administrative support staff, this person was not automatically a member of the faculty board. In addition, this person had no longer direct links to the central administration, and instead had to report directly to the dean. It is thus clear that the Dutch university governance structure since 1997 has been an integrated structure, in which the central actors are the institutional executive board and the deans.

**External versus internal**

Concerning the composition of governing bodies in higher education institutions important changes have taken place in many countries. The first trend is the growing number of external stakeholders directly involved in intra-institutional decision-making. This can be either directly as members of governing bodies, or indirectly by involving them in internal decision making with respect to the creation of new chairs, or the development of new and the adaptation of existing curricula. In some countries, e.g. the Netherlands, new governing bodies have been created that only consist of external members. These external members are in general representatives of industry or national politics. In other countries there has been an increase in the role of external stakeholders at the expense of the internal stakeholders. In Sweden, for example, with the return of the social democratic government in 1994, the political balance of power started gradually to change. The political representation was widened in the governing boards of the institutions. Rectors were replaced by people from outside (often industrial leaders or politicians) as chairmen of the institutional governing board. The “unholy” alliance between state and industry was strengthened at the expense of the academic elite. Swedish higher education institutions were also given, explicitly, a new “third role”: to serve the local community and contribute to overall social development, i.e. they were expected to develop a more explicit external orientation57.

**Centralisation versus decentralisation**

An important trend in the adaptations of institutional governance structures has been the intra-institutional centralisation of executive and governing authority. In some countries a considerable strengthening and expansion of the authority of the rector, president or Vice-Chancellor has been introduced. This has in general been coupled with a general decentralisation of financial and administrative responsibility to faculties, with each faculty treated as a separate cost centre. There has been considerable expansion of the management responsibilities of deans and heads of department. Deans in parti-

cular are now considered very much a part of management and are often appointed rather than elected. For heads of department, the administrative burden has substantially increased in such areas as staff supervision, budgeting and increasing outside earnings, student recruitment, quality assurance in both teaching and research, publicity, and in implementing a medley of university policies. This development of simultaneously strengthening the position of the institutional leader and the deans/heads of departments cannot however be observed in Finland. Results of studies by Hölttä and Rekilä\textsuperscript{58} show that:

“... the management-by-results culture has not reached so effectively the other levels of the institutional organisations, and the deans and heads of departments are not fully internalised in the new management model. They are much more sceptical about the role of the Ministry in steering the universities, and although bureaucracy has decreased in many ways within institutions, it is not clear that the universities and their organisational parts have been looking for all the opportunities provided by the Ministerial steering framework.”

In his recent work, Burton Clark\textsuperscript{59} has pointed to the danger that very creative and entrepreneurial subunits within the university can be easily de-coupled from the rest of the organisation due to their external interest and focus. Thus, for the institutional leadership, such units may create problems related to coordination and broader strategic development.

Conclusion

The main trends to be observed in governance at various levels in European higher education are first that there has been a move away from vertical to horizontal, or complementary forms of governance. This implies in practice a move away from steering on the basis of regulations and laws and a growing reliance on steering on the basis of contracts, targets, benchmarks and indicators. The important task for institutional managers resulting from this is the need to steer intra-institutional teaching and research activities accordingly. A possible paradox following this shift in governance is that while institutional (and managerial) autonomy is still emphasised politically, the result of a policy focusing on particular targets and benchmarks can imply tighter, not looser, (micro-)political control of higher education.

Second, making universities more independent and autonomous does not necessarily mean that the academics feel that they are better off. Instead of


having an enemy at a distance, they now might get an “enemy in their own house” by which the academic discretion that usually has been associated with teaching and research becomes narrower. This is likely to increase the need for accountability within the institutions, and subsequently increase the level of conflict within institutions for resources and funding, not least between departments and faculties. A consequence for the academic leadership might be that they have to spend more time and energy on issues relating to university policymaking and negotiation. A possible paradox emerging from this situation is that internal processes might occupy the institutional agendas in a time where the external relations between higher education institutions and their surroundings are believed to be more important than ever before.

A third consideration concerns the notion of elected versus selected/appointed institutional decision makers. The main issue here is not whether institutional leaders and managers are elected or appointed/selected, or the formal nature of the governance structure per se. Instead of solely focusing on the formal structure of governance, increased attention should be given to the actual roles of the various bodies and actors in the governance structure. Hence, the basic challenge in all higher education systems adapting the institutional governance structures along the lines described above (i.e. improving the effectiveness and efficiency of governance structures by creating a better balance between administrative – academic, and executive – governing structures; strengthening the external orientation of governance structures; and decentralising authority from the state to the institution in many cases accompanied by an intra-institutional centralisation), is to handle the growing gap between management intentions and academic realities, and to deal with the lack of trust between managers and academics. In practically all international studies on the effects of the changes in governance structures the gap between intentions and realities, and the lack of trust are mentioned as the most important challenges for the new wave of managers in higher education institutions. Reed suggests that governing is about managing the gap between expectations and realities. In his view “New managerialism strives to close the inevitable ‘reality gap’ between expectations and delivery by denying its existence or relevance. However, the grounded experience of the changes associated with new managerialism, for its creators, agents, and consumers, has been much more ambiguous, not to say tendentious, for all concerned. In the very act of its organisational consummation, new managerialism seems to create even bigger gaps or fissures within the institutional order and moral foundations of higher education that then have to be bridged or repaired in some way or another…..”

Along the same lines Pechar points to continuous erosion of trust over the last 25 years between the Ministry of Education and higher education institutions in Austria. However, the fact that Austrian universities have gained legal independence from the Ministry does not mean that the lack of trust and the suspicion that characterise higher education governance will disappear. Hence, identifying examples of how trust is established or eroded within the framework of the new governance models in higher education is one of the primary challenges for institutional managers in the years ahead.

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The future of multinational universities

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Transnational Education in the UK: trends

Despite the fact that it often operates under national protection, higher education cannot escape being influenced by the forces of globalisation. But rather than being a passive object, institutions can gain from the realities of modern times. They can try to take advantage of the global trends, making sure they serve the institution’s mission and seeking ways to influence positively the development of a ‘globalised’ higher education. This contribution will discuss the future of universities in the context of globalisation of higher education. It will first introduce briefly trends in transnational higher education (TNE) in the United Kingdom and will then discuss in more detail the offshore strategy of the University of Westminster as a case in point. Finally, I shall reflect on how the globalisation trend might change the future of universities.

After the USA, the UK is probably the largest provider of transnational education in the world now, and when one excludes distance learning it is likely to be the market leader. However, any statement regarding TNE which includes numbers should be treated with caution, especially in regard to the UK where no central register is kept for TNE data. The Higher Education Statistics Agency (HESA) has collected data up to 2003, but these only focus on the public sector universities and only on those institutions which submit voluntary estimated information. According to a recent publication by Richard Garret and Line Verbik, the HESA numbers most likely grossly underestimate the reality. Information about TNE in the UK is treated quite rightly as commercially sensitive and hence the overview given here can only be patchy.

If TNE distance learning programmes and their associated operations market leaders are included, the number of students involved is likely to be in the hundreds of thousands. Excluding distance and e-learning operations from TNE is less easy to do than one might think because of the blended form such programmes can take. For instance, the University of London External Programme, with some 30 000 enrolments worldwide on their distance learn-

62 Garrett, Richard, Verbik, Line, Transnational Delivery by UK Higher Education, www.obhe.ac.uk, July 2004: The Observatory on borderless higher education briefing note 18; and ditto II, briefing note 19, August 2004. (Note: this is a password protected website).
ing programmes, tends to offer its courses through partner institutions, which arrange the local tutorial support. Often such local colleges present themselves as ‘partners’ of the University of London and of specific Colleges and Schools of this University, though probably they are more business than academic partners (they do not need to be subjected to the university’s quality assurance systems). Such arrangements represent a grey area between distance learning and TNE in the more narrow definition of off-shore delivered programmes. A major innovation in the distance learning section of TNE are the emerging e-learning programmes, e.g. the Global Campus of Middlesex University, and the Purple Train (Informatics, Singapore), which features courses of the University of Portsmouth.

Another example of a grey area in terms of definition of transnational education are the numerous twinning programmes or advance standing agreements UK universities are involved in. Clearly part of TNE are franchised and validated programmes delivered off-shore through a partner institution (business and academic). A considerable number of UK institutions are very active in this respect, but it is unclear if this model of TNE will be dominant in the future. As an example, my own university decided to withdraw from small-scale franchises and validations abroad. The main reason is that realistically a solid quality assurance regime – an essential condition if one gets involved in such operations – cannot be supported by modest or volatile revenue. Larger scale franchised programmes which do seem to operate on a profitable level are sub-degree programmes (Higher National Diplomas mainly) offered by Edexcel, an educational organisation in the private sector. Also English language programmes, both in the private and public sector, are involved in TNE type of activities, like for example the not-for-profit Bell Trust, which has operations in many countries. None of the latter categories are considered in TNE statistics.

High quality TNE seems to be dependent on having a ‘critical mass’. One of the most innovative forms of TNE that would seem to be able to fulfil that condition is the off-shore (branch) campus/college/centre. UK universities have been more cautious about getting engaged in such activities than American or Australian institutions. In fact, with a few exceptions, such activities have been very marginal.

The case of the University of Westminster

The University of Westminster, since its foundation in 1838 as the Royal Polytechnic Institution, has been a typical London institution for higher education serving the local market. But in 1993 it decided to serve also the international market, with internationalised and relevant teaching, international staff, and with students from all over the world. Though still prominent in the London communities, of the 23,000 students of the University of Westminster over 4,500 come from outside the country, and a further 2,300 come for short
The University of Westminster has gained a considerable experience with different forms of transnational education. It has been engaged in e-learning and distance learning programmes at postgraduate level. It has developed a range of twinning, advance standing, and dual degree programmes with institutions in different countries. It has franchised courses to almost all continents. It has delivered programmes by sending staff teaching ‘burst mode’ modules. It has franchised full degree courses. It has been engaged in consultancy to develop new universities in the Middle East and especially in Africa (Delta State, Nigeria: setting up of four new HE institutions including supervising campus design and construction, curriculum development, staff training, etc). It has developed its own postgraduate centre in Paris, has participated in consortia to create new universities (e.g. Kazakhstan British Technical University), and has established a new university offering a range of University of Westminster degree programmes in Uzbekistan.

Though all the cross-border HE operations of the University were ultimately broadly positive, it has now become obvious to the University that small-scale operations should not be pursued. It has also become obvious that in terms of quality control the rules have to be clear and that implementation with partner institutions requires rigorous monitoring. A few minor operations were discontinued because of concerns about quality standards or because of financial instability. Consequently, the University now only pursues larger scale operations, which are managed by a dedicated unit, the International Projects Office. Every potential project is assessed on academic merit as well as financial viability and risk levels. For each project a costed exit strategy is in place and this is reviewed annually. The academic responsibility for projects involving university degrees remains with the relevant schools and are subject to stringent quality assurance procedures. The management of projects is monitored by a Board, consisting of the president, the vice-president for international and institutional development, the director of finance, the provost with executive responsibility for academic quality, a governor, and an external member. An important part of the remit for the Board is to ensure that the University has a strong risk management policy, which is professionally managed and continuously monitored (ideally through seconded staff operations).

The University of Westminster wants to pursue a policy of creating large-scale operations in the different regions of the world. In general, the main motive to get involved in transnational education and especially with off
shore operations is often claimed to be financial, but so far this does not seem to be the case for many of the operations of the UK universities. It might simply be that those institutions (in the public sector) which did get involved primarily for financial gain have found that transnational education does not quickly or easily fulfil that promise. Where a business plan does foresee a ‘profit’, this surplus often seems to be earmarked for (local) reinvestment. Obviously, private sector TNE will take a very different approach.63

The main drivers behind transnational education for UK higher education institutions in the public sector are:

1) Academic: a) reaching out to excellent students and b) establishing a second base for research and knowledge transfer activities.
2) Social Mission: access to higher education made available locally, at a more affordable fee and more convenient conditions (e.g. part-time) and the expected positive impact in a country/region through educational work of high/Western standard.
3) Financial: besides recovering costs, financial gain for public universities is likely to be about growth, achieving efficiency, and risk diversification rather than about generating real surpluses for the mother institution. Financial benefits may arise also from the progression of fee-paying students to the mother institution.
4) Reputation and international visibility.

Regarding the first objective, the University of Nottingham’s operations in Malaysia, and maybe even more so its new operations in the People’s Republic of China have a clear bias toward research activity, as one might expect from a research-focused institution. The Westminster International University in Tashkent (WIUT) falls clearly in the other category, which again is understandable given the social mission and historical commitment to ‘access’ of the University of Westminster.

The WIUT was established in 2002 with four faculties (economics, business, law, and informatics) offering undergraduate honours degree programmes. Based in a well-equipped building in central Tashkent, WIUT has almost 1000 students and the first cohort graduated in September 2005. It is financially and academically independent from government and from the mother institution, but does accept a considerable number of students on a tuition-free basis. Selection for both free and fee-paying places takes place on the basis of an entrance examination, which covers academic ability and requires a sufficient fluency in English. The ultimate aim of the WIUT is to make a positive contribution to the social and economic development of the Central-Asian region through a high-quality British-style education, initially at undergraduate level, and in the future also with postgraduate courses. It is

expected that the success of WIUT will offer the University of Westminster a model for similar operations in other parts of the world.

**The future of universities: a global perspective**

Is the globalisation of Higher Education a threat or blessing?

First of all, there is a common misunderstanding that institutions need to declare their geographic focus. Is a university going to be first of all local/regional, national, international, multinational/global? In my view, this choice is non-existent, because there is not necessarily a contradiction. On the contrary, each level can gain from the other. An institution that wants to be internationally successful will benefit greatly from having strong local or regional roots. At the same time, the value of an institution for the local and regional communities is greatly enhanced by international links and success, whilst national and international standing are closely related. For the success of a multinational university, it is essential that each ‘branch’ is well embedded in its own local, regional, or national context, whilst it is equally advantageous that the branch has an international recruitment strategy and drives the mobility of staff and students. In other words, there is a clear synergy between the different levels, not necessarily a mutual exclusivity. It is therefore likely, in my view, that those institutions that achieve success at all levels and are effective in relating all levels of operation are going to be the most prominent universities in the world.

A second concern is that globalisation (and in some cases even internationalisation) are driven by commercial interests, treating higher education – basically a public good – purely as an industry and reducing the university to a mere business. Of course, this risk exists. It is therefore crucial that a university does not undertake any activity, which is not academically sound. It is crucial that branch operations share the same ethos as the mother institution, are subject to stringent quality assurance procedures, and over time can develop into a full-blown educational institution. At the same time, universities should aim at a sustainable future, which implies a broadening of income sources. Universities need income to enhance consistently the quality of its academic activities and thus cannot afford to ignore the ‘business’ side of its operations. But they should do so in the more prominent context of their ideological mission: the ‘academic trinity’ of education, research, and a commitment to shape the future of our society.

Thirdly, developing operations in other parts of the world can cause unacceptable levels of risk to the mother university, both in financial and in reputational terms. Though the easiest way of dealing with this issue is to avoid the risk, in my view the more appropriate approach is to put in place a highly sophisticated and strictly coordinated system of institutional risk management, which includes elements such as costed (and reviewed) exit
strategies, centralised project risk assessment and monitoring, and strong, professional management.

A further issue is how attractive it is to have a foreign university set up a branch operation in one’s immediate environment. Competition in itself is not a negative thing, as long as the rules of engagement are fair, the playing field reasonably level and no substantial damage is done to education as a public provision. It is clear, in my view, that a foreign university should never establish a branch without clear support of the national (and, if relevant, also other levels) of government. Moreover, like anywhere else, there is obvious mutual benefit in working together with the already established institutions, rather than just seeking direct confrontation. Ideally, the branch operation will enrich the academic provision, maybe through new study areas, maybe through a different academic philosophy, or possibly through introducing experience that is valuable to the entire sector.

Finally, one big consequence of this process of globalisation is that the multinational alma mater is less clearly part of the domestic system. Historically, universities serve a national (or local/regional) interest and even internationalisation of higher education is often interpreted as a support to, or even driven by, national interests. The multinational university on the other hand is likely to have a much more global view, though it is likely that values and policies will remain – at least for the foreseeable future – closely linked to, if not determined by, the domestic society of the mother institution.

But to conclude, it seems that at least the future of multinational universities is bright, to the extent that they take full advantage of the reality of globalisation.
Students vote with their feet. Hence, one of the most reliable indicators of the attractiveness of regions is their share of international students in the global student mobility market. Generally speaking (and generalising), for the last decades there has always been a global one-way flow of international students from Eastern Europe into Western European countries such as Germany and Austria, and from Asia into the USA, UK and Australia. US post-secondary research universities have always enjoyed the highest possible reputation worldwide among national and international students, both based on the market share of international students worldwide, and annual rankings such as the ‘Shanghai ranking’, ‘Jiao Tong ranking’, and others. 560,000 of currently more than 2 million international students choose a US institution every year. The number of students seeking an international education – primarily undergraduate and/or postgraduate degrees – has increased rapidly, from around 1.6 million in 2000 to 2.1 million in 2005. The predicted numbers for 2010 are 3 million; estimates for 2020 about 5.8 million. Will the trend to go west continue?

The market

A closer look both at the total numbers of international students and at the market share reveals that US institutions have begun to lose ground since 2001 (from 33% to 28% of all international students choosing the USA), while Australia has gained substantially from 10 percent (2001) to a 15 percent share (2004/05), and the EU from 44 percent to a 46 percent share. The strongest growth in Europe is observed in the UK, Germany and France (following Australia’s lead), i.e. those countries which have aggressively promoted their higher education institutions worldwide for some years through a number of initiatives aiming to improve the products offered, promote them in campaigns, and establish a student-friendly legal, social and educational environment.

The absolute numbers reveal the magnitude of change in the global student flow in the countries with the largest student populations: from 2001 to 2004/05, the international student population grew (in thousand) in Australia from 174 to 320, in the UK from 238 to 300, in Germany from 190 to 246, and
in France from 200 to 220. During the same period, US institutions suffered a decrease from 586 to 560 (while the global market grew by 25% or 500,000 students). US students themselves are also changing their attitude and look again abroad for their education: for the first time in years the numbers of US students going abroad have increased (mostly for shorter visits though), students choosing as their destination particularly the larger continental European countries (one-year increase up to 16%), Australia, and – although small in absolute numbers – China (with an increase of 90%).

More generally speaking, the global trend of student flows seems to shift away from the US towards Europe, Australia and (back to) selected Asian countries. This means not only fewer students generating additional revenue for US institutions, but it generates also a quality problem: half of all international students in the US are graduates who are badly needed in science and engineering departments across the country. They already outnumber domestic graduate students in some fields, and the dramatic decline in enrolments within one year from top sending countries like India (-28% for autumn 2004) and China (-45% for autumn 2004) has ignited a public debate on causes and consequences. It is believed that three developments contribute to this shift of international students away from US institutions: the reduced affordability due to the continuously rising costs at US institutions for international students, a reduced accessibility of the US as a result of tightened post-9/11 visa procedures, and – last but not least – the increased competition created by successful marketing efforts of the main competitors.

At the same time some of the main sending countries in Asia have begun to invest heavily into their own education system. China with about 25 million higher education students has launched several government programmes to create a group of ‘key’ universities all over the country (‘project 211-universities’), among them 35 institutions as top world class universities. While the international student population in China is still comparatively small (110,000), their numbers grow at a rate of currently 43 percent each year. India’s top world level higher education institutions are highly attractive for foreign students, and Singapore has launched an initiative to attract ten world class institutions to establish branches in Singapore within the next ten years. Among those invited (and in some cases already established in Singapore) are INSEAD, Chicago Graduate School of Business, Georgia Tech, MIT, TU Munich, TU Eindhoven, Stanford, and Wharton School of Business. Asia’s role in international higher education seems to change more quickly than originally anticipated in recent long-term market projections: its role as a sending region is already shifting with regard to undergraduate education, which is more and more provided at sufficient levels at home. Changes will be felt more dramatically when also graduate students and post-doctoral researchers will have viable choices between home institutions and universities abroad.

http://www.edu.cn/20010101/21855.shtml
Australia, the other main competitor of Europe, Asia and the USA, boasts a 14 percent share of international students, the second largest in the world. The growth in the number of international students can be largely contributed to increase in numbers of students from China, South Korea and India (presumably those who originally might have chosen a US institution), and Australia remains the main destination for students from Singapore, Malaysia, Indonesia, Thailand and Hong Kong. Australian institutions, although very few (about 45) compared with the numbers in the main competitor countries, have set the benchmark for the most effective and best co-ordinated international recruitment operations, the best market cultivation, the highest governmental commitment and support for marketing, and the highest national ranking of education as a sector of income (third largest services sector, ninth largest export sector). There are some voices which warn that on the long run the quality of education (and thus the attractiveness of Australian universities) might be at stake if the government support of the education system is entirely based on its performance to generate revenue, rather than investing in research and development which drive innovation and technology in exactly those fields where students worldwide are in highest demand, namely sciences and engineering.

Differing from Australia or the US, Europe is a relatively new player on the field, except for the UK which has been a leader in recruiting international students for already more than two decades. Germany, France, the Netherlands, Sweden and more recently other Scandinavian countries have begun to promote their countries and education programmes worldwide with joint efforts of their governments and higher education institutions. The core elements of their national initiatives are product improvements (e.g. English as programme language, introducing services and tutoring, offering international degrees, charging fees, offering student support), the opening of labour markets and removal of legal obstacles, and international marketing campaigns. These activities are imbedded in and strongly pushed by the Bologna process and new European programmes like Erasmus Mundus which has the aim of enhancing Europe’s attractiveness and second national marketing efforts. Some European countries have already gathered convincing evidence that their marketing efforts begin to pay off: in Germany, where the number of German students in engineering has declined steadily for the last 5-10 years (depending on the discipline), the trend has reversed for international students: 38 percent of all international students in Germany in 2005 enrolled in engineering and sciences, compared to 31 percent five years ago. Will this trend continue? There are no reliable statistics available, of course, regarding the applications for 2006, but first estimates in Germany indicate that applications from Asia, from where growth has been particularly strong, are again down (China) or levelling off (India).

The USA, which has suffered most from the decline of international students recently, has reacted quickly with a number of proposals on how to turn the
tide. These include amending certain visa regulations particularly for Chinese citizens, waiving more interviews for student and researcher’s visa, introducing four-year multiple entry visa for certain student categories, and improving inter-agency cooperation in the US and the administration of visa procedures.

In addition, the newly established federally funded Lincoln Program is supposed to substantially enhance the internationalisation of US higher education by providing US students with opportunities to study abroad and to improve their cultural and language skills. To provide more opportunities for students from abroad to study in the US the Fulbright Program, which is globally operative, has enjoyed an unparalleled growth of US federal funding in the last two years.

Enhancing Attractiveness

How will EU universities do in the future in such a globally competitive environment? A closer look at those parameters that made US institutions so successful in attracting about one third of the global international student market annually might provide some clues as to what EU institutions could do to improve their international standing and attractiveness.

Quality of education and research: “Institutional quality will be raised through competition and adaptation of elements of the US model”, states MIT’s President Charles Vest. The quality in teaching and research is a prerequisite for an institutions’ attractiveness, as we know from a number of market studies on international students. In the marketing language, it is the unique selling point (usp). Word spreads around quickly if institutions do not live up to their reputation, or promises. An important element of quality that most institutions with a high international reputation apply is a restrictive and purely quality-based selection process of students. Some top US (and even some UK) institutions like MIT select – across all disciplines – one student out of a pool of 10-20 applicants. They determine their own individual level of academic requirements that every student has to meet, and many of them admit students on a need-blind basis: they want the best students – for almost any price (that others have to pay through tuition fees). Not surprisingly, the average study success rate (relative number of students who finish their programme) is well above 80 percent in leading US institutions, while in many European institutions it is around or below 50 percent.

Likewise, faculty plays an important role in determining the success of an institution. A quality-based recruitment of faculty through the institution, a continuous rating of the faculty’s performance by peers and students (after all, they pay for it...), and a flexible staff management and remuneration structure are pre-conditional in order to attract and maintain a highly qualified faculty that is dedicated to teaching and research on the one hand, and to its institution on the other hand. Institutions that are subject to state-controlled hiring policies and civil servant statutes for faculty suffer from a rigid salary
system that does not allow for incentives or reprimands, and thus cannot and
will not successfully compete with the more entrepreneurial approach of
most US institutions.

Quality assurance: quality assurance has of course always been around,
and different national models of quality assurance have been developed in
the past. Quality in teaching and research is essential to build up an institu-
tion’s reputation, and quality assurance is an integral part of maintaining this
profile. It is difficult, however, to imagine that independent national quality
assurance systems would lead to a strong European quality label that would
be recognised worldwide as sound, and as attractive as the current reputa-
tion for the leading US institutions – at least the ‘market’ does not think so. In
order to build up a brand ‘Qualified in Europe’ it would be helpful to develop
elements of a European standards infrastructure and to establish a European
evaluation process. It should allow institutions to establish their own
evaluation system and accredit new curricula in an academic accreditation
infrastructure – much like in the USA where degrees (bachelors’, masters’,
Ph.D.) have never been officially accredited or recognised by a state or the
federal government.

Internationalisation: in order to become more attractive it is necessary to
develop and offer internationally attractive study and research opportunities.
International students, if they choose to go to a non-English speaking coun-
try in Europe, expect:

♦ international degree programmes with a bachelors’ or masters’ degree;
♦ English-taught lessons (at least in the beginning);
♦ cultural and language immersion programmes;
♦ adequate student services accompanying courses; and
♦ clear information and transparency with regard to the costs and output.

Furthermore, development of specific international degree programmes with
a mandatory share of overseas students, accompanying language courses,
a financial aid system for the needy, and sufficient guidance and tutoring will
raise the attractiveness of an institution, given a highly motivated faculty and
an acceptable teacher-student ratio.

Services: Students who pay for their education expect a service-oriented
host institution. This includes a customer-friendly communication from the
very first day on, tailor-made study and cultural immersion programmes for
newcomers, a peer-based study-guidance system and tutoring, the provision
of adequate housing and infrastructure, financial aid systems and customised
language training, particularly in non-English speaking countries. All these
service modules are the rule in most US and Australian universities.

Employment and immigration: One of the core requirements of interna-
tional students is easy access to education, and employment opportunities
during and after the study period. While individual accessibility to institutions

Destination Europe. How will EU universities do in a global competition?
is (and should be) the responsibility of institutions themselves the legal immigration and visa requirements are subject to government regulations. Employment opportunities after graduation are essential for graduate students when choosing where to go. Hence, government policies that do not allow students to work, or that actively require students to leave the country as soon as they have received their degree, are counterproductive. What is the rationale of inviting students (and often subsidising their stay with national fellowship programmes) to Europe just to qualify them for employment in third countries?

**Funding:** Increasing the attractiveness of higher education institutions cannot come at no cost. The leading US research universities which attract the most qualified students worldwide are financially much better equipped than their competitors in Europe, which are, by comparison, notoriously under-funded. In fact, the annual budget of a typical top technical university in Germany (e.g. RWTH Aachen or TU Munich) amounts to about 20 percent of the budget of a comparably qualified US institution (e.g. Stanford), but handles twice the number of students. This symbolizes the competitive disadvantage even of top European higher education institutions. Taking into account that in the USA most of these institutions receive (in absolute contributions) as much public funding as their European counterparts, with additional money coming from flexible income sources (research, endowment, medical services, donations, tuition fees, etc.), it comes at no surprise that the top US research institutions outperform most other top institutions worldwide in terms of quality in research and teaching. This quality, however, based on adequate funding, has a social price: tuition fees in some of the leading US institutions have surpassed US$ 40 000 per year, and increases of up to 35 percent per year were observed mainly in public institutions over the last couple of years. In order to provide European institutions with the necessary competitive edge, their funding system needs to be changed to include the possibility of raising private money for endowments, introducing tuition fees, establishing *autonomous and flexible budget and fiscal management procedures, a quality-based wage system with external evaluation procedures for faculty, and a generous loan and fellowship programme to attract the best students*.

**Marketing:** Institutions need to market their qualities and study and research opportunities worldwide – how else would potential students know? This has to be done through different channels:

- **The Internet:** web-based information and guidance portals for international students in English;
- **Media campaigns:** informing student populations in chosen target countries;
- **Student fairs and promotion tours:** participation is the best tool to inform, recruit, and guide students in person-to-person contact;
Networks: to facilitate marketing worldwide institutional networks need to be created. Higher education marketing agencies handle operations abroad, provide services, conduct marketing studies, develop regional recruitment and cooperation strategies, and provide ample training opportunities for their clients.

Conclusions

Why do students choose a particular institution or programme? While there is no general global attitude of international students, it is safe to say – based on student queries during promotion tours in sending countries – that the following factors – in that order – are decisive. This holds true at least for students from Asia, the by far largest sending region. Students are guided by:

- the academic reputation of an institution;
- the expected quality of life in the host country (the networks of students with same nationality abroad, the cultural and/or historical proximity to one’s own culture, the perceived security as a foreign student in a host country, and the homogeneity of the new social environment);
- English as the teaching language;
- employment opportunities;
- access to education and the labour market; and
- affordability.

These criteria are weighed against each other by students and their (paying) families, depending on the type of education sought (undergraduate vs. graduate, professional vs. academic career), the duration of the planned stay abroad, the cultural background, and the expected return on investment.

European institutions, given their cultural background, their strong emphasis on education, and their traditional commitment to quality in research and technology, are well positioned to successfully compete globally with other institutions. They just need to accept that the increasing demand for qualified higher education and students abroad has contributed to an increasingly commercial approach. Given that education is rapidly turning into a worldwide commodity it can be assumed that education will increasingly be determined by global market rules. This in turn will force higher education institutions to become active market players. If institutions develop their individual strategy and find their own niche, if they monitor their quality in teaching and research and talk about it, if they offer programmes that students (i.e. the markets) want and which are accessible and affordable, and if they are autonomous enough to govern themselves in order to react to market developments quickly, they are well set to attract the best students (and faculty) worldwide. Not surprisingly, the way to success will be a delicate balance between competition and strategic cooperation among players in the field, particularly among European institutions.
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Images and trends in tension: the alternative futures of the university

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The university is undergoing dramatic transformations. These include challenges to the traditional image of the university as organized by a community of scholars as well as trends increasing demands on the university. While there are likely to be some continuities – the category of student, professor, and administrator, for example – the relative roles, governance structures, as well as how, when, where and why students learn and professors teach and research, are likely to be discontinuous.

Images in Transition:

Pulls

This chapter maps the pulls, pushes and weights of the futures of the university; examines emerging issues that may disturb or reinforce this map; analyses the tensions academics face in this changing future; articulates macro global scenarios for the futures of the university; and presents meso scenarios with respect to the capacity of universities to respond to the challenges facing them. The chapter concludes with comments on the futures of the academic profession.

I first focus on the pulls of the future, the images of the future. These images define what is important, what is seen as the norm, i.e. the model from which more narrow politics emerge (who gets what, when, and how).

The classical image of the university as organized by a community of scholars has been under challenge for centuries. The modern industrial model with clear lines of division, a clear hierarchy, a growing bureaucracy, and research driven not by knowledge for the sake of knowledge but for national research interests has been in ascendancy for the last one-hundred fifty years or so. However, the industrial vertical structure did not destroy the previously dominant classical model. Rather it was included in the latter, leading

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65 This article is based on presentations in Luxembourg, Vienna and Penang in 2005 and 2006, organized by ASEM, ACA and University Sains Malaysia respectively. I would like to thank the organizers and participants of these conferences for their comments.

to two parallel organizational structures within the university. This was especially so in Europe and the USA, wherein academics generally have been left to govern themselves especially with regards to the academic canon. In Asia and Africa, the state has been far more intrusive. The guiding image has not been that of an autonomous academic but of the dissenting professor and student leader challenging dictatorship. To be sure, the university has been a site of tension in the West as well, but in Asia, the modernist development project has clashed head on with the quest for freedom. Order and discipline have been in foundational contradiction to dissent and autonomy.

The industrial and classical images have been challenged also by the drivers (the pushes) of corporatisation/globalisation, virtualisation and sustainability. These have created new understandings and images of what the university can and should be. First, is the university – as a commercial (corporatist) centre – market driven, globally aggressive, in search of the “student-dollar” wherever it may be? Rising up in the Academy is gained largely by the capacity to bring in research dollars, to demonstrate that one is a good entrepreneur. However, this image is directly in tension with the image of the community of scholars. The community is democratic and all voices must be heard; while in the commercial model, it is not egalitarianism that is primary, but reward structures that favour financial knowledge. Courses that are taught must have not only national rationale (helping the economic development of the country) but be globally competitive, raising the competitive advantage of the nation. If the student numbers are not there, then courses are cut: each course must be able to financially justify itself. Humanities courses, and those not directly related to the global knowledge economy, are generally the first to be cut.

There is as well tension between the imagination of the university as an industrial structure and as a site of global innovation. The former is focused on cost saving through obedience and regimentation and the latter demands the capacity to find new products, new niches and is focused on discovery science. The former is funded through state subsidies, that is, carving up tax payer’s wealth while the latter survives through creating wealth (and enhancing inequity).

However, the battle between defining images is not just restricted to the commercial versus the industrial versus the classical, but also between these three and the newly emerged virtual university. While the virtual university is run on commercial grounds – courses that bring in new students and dollars – the reach is global and the structure or organisation that supports this

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67 Commercial and corporate have been used interchangeable in this chapter, though one could argue that corporatist is a type of structure within the commercial umbrella. One could be commercial and eschew the vertical corporatist structure as with dot-com enterprises.

image, this future, is flatter. It is not corporatist per se, at least, not yet. The hierarchy of the professor is challenged (and eventually of the administrators as well, but that is still in the distance) and networked organisations and teaching practices result. Global reach changes the nature of the student body (no longer a physical community) and the nature of the professoriate (one can teach from any where and need not be full-time based on the campus, or even in the country of the university). As virtual technology keeps on developing, place and power will continue to diminish. The industrial image will be strained to its limits also by classical notions of the community of scholars. However, the industrial may return via new surveillance technologies. Telecommuting may be allowed if the administration can keep an eye – via web-bots and other new technologies – on academics and students. Further, face to face community may be reinvented in electronic agoras. These may be global and local, inter and trans-disciplinary. The half-life of knowledge also transforms in this image of the university – the classics are less important and “just in time” knowledge far more important – as knowledge continues to exponentially increase, new knowledge becomes ever more possible, important and indeed defining of purpose. The half-life of the career changes, too, with students and professors regularly changing employment. This means moving from one career to multiple careers or to the “portfolio career”: holding many jobs simultaneously and living in many countries during the academic year. One can be a virtual professor during the evenings and business executive during the day, or research scientist during the day, and virtual professor in the evening.

Those who prefer teaching and learning at night, too, would be liberated from synchronous learning. Also time shifts dramatically in this image of the future. In the classical image, time is shared time, when colleagues and students meet. It is generally slow. In the industrial image of the university, time is regulated and controlled, divided by semesters and seasons. In the colonial and postcolonial state dominated image of the university, time is in tension with community life and the power of administrators and Ministries of Education. Time is used as power, as a way to control others. In the commercial image, time is a commodity, bought and sold.

A more recent imagination of the university is the world university or perhaps more accurately world as university. For this to occur, we must first have a world, an Earth. This requires knowledge for ensuring that humanity survives the current global crises, i.e. addressing the problem of sustainability. Can humanity move from non-renewable resources to renewable resources? Can humanity move from tribal nation-states to global governance? Can humanity move from a patriarchy-driven culture to gender partnership? Can humanity move from single ways of knowing (generally the victory of the Western

way of thinking) to multiple ways of knowing (borrowing from, for example, Indic, Sinic, indigenous and women’s ways of knowing)? Can humanity move from survival to thrival?70 Answering these questions requires a new mission for the university – one focused on the global problematic and global solutions, one focused on trans-disciplinary approaches to knowledge, and one focused on knowledge cooperation. This new image requires an evolutionary jump in the nature of the university the entire world becoming a university, and its ultimate demise, there being no particularly site for a university, since humanity has created a true democratic knowledge economy. This could be the university’s final success.

This image – possible future – is in tension with the image of a community of scholars (since this image tends to be parochial); with the industrial image (since the hierarchical and standardised industrial model of production is largely the cause of the current crisis, i.e. flatter knowledge organisations are needed); with the commercial image, since it is not just the bottom line but the triple bottom line – prosperity plus social inclusion plus environmental sustainability – that is required. Indeed, one could argue that the fourth bottom line – that of the spirituality of humanity – is the essential ingredient in moving from survival to thrival. This image (the world-as-university) is also in tension with the virtual image in that while virtual networks are part of the solution, the challenge of the natural world – environmental pollution, global warming, etc. – must be dealt with in the terms of the real (as opposed to virtual) world.

The realisation of this image requires dramatic new partnerships between universities (as for example with Universitas 2171) and regional rules for universities (as with the Bologna process in the EU), potentially leading to new global protocols. Ministries of Education at national level are the biggest losers if this image becomes reality: they will lose their power to define curriculum, labour relations, and funding.

A final image of the future of the university is perhaps its deepest past: as a site of dissent against power.72 This can be feudal power, religious power, bureaucratic power, technological power, or global power. The university has been the site where official power is contested, where alternatives are explored, where that which is not comfortable to Left and Right, tradition and novelty, is challenged. The circulation of truth and power are challenged, ensuring that “power has nowhere to hide.”73 This image has had more cur-

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70 This term comes out of the work of the Foundation for the Future – particularly see their project, Humanity 3000. www.futurefoundation.org
71 http://www.u21global.edu.sg/cgi-bin/corp.dll/portal/ep/home.do. The CEO is Dr. Mukesh Aghi
72 See the works of Ashis Nandy for more on this, e.g. Ashis Nandy, “Recovery of Indigenous Knowledge and Dissenting Futures of the University”, in Sohail Inayatullah and Jennifer Gidley, eds., Op. cit. pp. 115-124.
73 See Michael Shapiro, Reading the Postmodern Polity: Political Theory as Textual Practice, Minneapolis, MN, University of Minnesota Press, 1992
rency in developing nations where state power has been more extreme and intrusive. This is not to say that Western states allow universities to function in neutral power-free zones. Rather, it is hegemonic power, the power to define what is true, real and beautiful, that is more pervasive. The universalising mission of the Western state and university as expressed in the religious, enlightenment and now in the security (war against terror) discourse has been the vehicle for the oppression of alternatives.

Which of these images will become the dominant, the central image? This question has no easy answer. We know that the image of the university as a community of scholars and the university as industrial national research centre is being dramatically challenged by the commercial/corporate university, the virtual university and the world-as-university (with the current problem of sustainability). Will a mélangé result? Or will one prove dominant, for example, the commercial? Or will parts of the emergent merge – the commercial with the virtual with the world-as-university – creating a new global organisation of teaching and learning?
Pushes

While these images pull us forward, there are pushes that are equally important. These pushes include:

1. **Globalisation and corporatisation**, in terms of the mobility of capital and labour and quickening time. Corporatisation in higher education includes both the corporate paradigm as a way of organising the university and knowledge, as investment in traditional higher education, and as a political battle over state subsidies for higher education. In the longer term, corporatisation – the commercial university – means multinationals themselves running universities. This will lead to a dramatic blurring of the classic public-private division.

The following trend data is worth noting: (a) By 2010, there will be 100-185 million people qualified for tertiary education. (b) The total market for higher education is US$ 250 billion globally, with the largest share being that of the US (US$140 billion). (c) In 1991 there was one for-profit degree granting accredited institution listed on USA stock exchanges and by 1999 there were 40. One of them, the University of Phoenix with 49 400 part time students had a profit of US$ 64.3 million. (d) In the U.S. corporate funding for the University has increased from US$ 850 million in 1985 to 4.25 billion less than a decade later. In the last twenty years it has increased by eight times. It is likely that East Asian nations will follow this pattern. So far it is the state that has exclusively engaged in education. However, globalisation is opening up this space in East Asia with foreign and local education. These trends certainly reinforce the image of the university as a site of global commerce.

The implication is that corporatisation will create far more competition than traditional universities have been prepared for. As mentioned above, corporatisation is the entrance of huge multinational players into the educational market. Total spending in education in America was US$ 800 billion in 2001, estimates *The Economist*. The estimate for 2003 was private capital invested in the US to total 10 billion dollars, just for the virtual higher education market and 11 billion dollars in the private sector serving the corporate

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74 Net income in 2003 for Apollo Group was 78.4 million. http://www.bizjournals.com/phoenix/stories/2003/ 12/15/daily43.html In 2005 it was 443.73 million. The Apollo group includes multiple universities and has over 300,000 students in 90 campuses in 29 American states. But is the University of Phoenix the future? For more on this see, Is Phoenix the Future: Inside Higher Ed, March 28, 2005. http://www.insidehighered- ed.com/workplace/2005/03/28/phoenix


76 http://www.e-learningcentre.co.uk/eclipse/Resources/corpu.htm for more on corporate universities.


market. Jeanne Meister, president of Corporate University Xchange (CUX), expects that by 2010 there will be more corporate universities in the United States than traditional ones. They are challenging and will continue to challenge the academy’s monopolisation of accreditation. Globalisation thus provides the structure and the Net the vehicle. Pearson, for example, a large British media group that owns 50 percent of The Economist, is betting its future on it, hoping that it can provide the online material for the annual two million people that will be seeking a degree online.79 Motorola, Accenture, Cisco and McDonalds as well as News Corporation all seek to become respectable universities. Cisco Networking Academies have trained 135 000 students in 94 countries. Motorola has a new division called Motorola Learning and Certification which resells educational programmes. Accenture has purchased a former college campus and spends 6.5 percent of its revenues on educating employees.80

Structurally, globalisation is linked to corporatisation, including the casualisation of the work force and the creation of Dean, Inc. – that is a mobile senior managerial class, focused on its own needs, with its own stories (often heroic, dealing with this or that problem, academic or student), its own discourse. This trend, too, favours the university as a site of profit.81

2. Digitalisation/virtualisation includes both new forms of delivery and learning, and a metaphor for knowledge and the brain. Both are crucial: the external empirical dimension (how courses are taught, where university funding goes to) but also the new lense, the framework that we use to understand the world. As McLuhan argued many years ago, we create tools, and thereafter they create us. This trend pushes us toward the virtual university and the university as world. Indeed, John Chambers, CEO of Cisco systems calls “online education the killer application of the internet”82.

3. A third major push or driver is sustainability as a social movement, as a new, planetary purpose for the university. The Talloires Declaration83 and the Lüneburg Declaration84 – both focused on the responsibility universities have toward solving the global environmental crisis – are directions in this process, as are some United Nations meetings (as with the Kyoto Protocol). This trend pushes us toward the university-as-world, world-as-university. The argument is that the university has a global, indeed, a planetary purpose that is beyond public and private, West and Non-west, state and corporate, and especially beyond the narrow technical concerns of disciplines.

79 Ibid.
80 Ibid.
81 For an analysis of this trend, particularly the dangers to the academy, see Eyal Press and Jennifer Washburn, ”The Kept University”, in The Atlantic Monthly (March 2000), pp. 39-54. Also at: http://www.colorado.edu/Sociology/gimenez/papers/keptu.html
83 http://www.ulsf.org/programs_talloires.html
84 http://www.lueneburg-declaration.de/downloads/declaration.htm
4. **Demographic shifts:** aging population, the rise of new demographic groupings such as the cultural creatives\(^85\) and digital natives, as well as in the longer term a relative shift in European/North American populations favouring Asian and African populations by 2150\(^86\). One immediate result is that workforce planning, once about predicting student enrolment, is now dramatically changing. The nature of the student (age, values, learning style, and geographic location) has become as important as the demographic nature of the administrative university. Standardisation becomes far more difficult as cohorts segment. Perhaps being adaptive will become a critical success factor? Are we moving toward a new image of the university: the adaptive university that can shift strategy and metaphor toward the appropriate future of the university as external conditions change?

While these are current trends, there are emerging issues just on and beyond the horizon that may also influence the plausible university future.

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85 See the work of David Ray and Sherry Anderson at www.culturalcreatives.org
Emerging issues

Emerging issues\(^{87}\) include:

1. The truly global student – this is far different from international student semester exchanges – whose learning and degrees are derived from a variety of universities. This may begin in elite universities – cooperative ventures – but could spread globally. This is the Star Alliance model of education (where air points and service are easily transferable).

2. Related to this is the truly global professor teaching at multiple campuses and negotiating salary contracts with multiple universities. Loyalty is not to a particular institution, but to knowledge and the image of the university as world-as-university. This shift in the site of the professor would require cooperation between universities and ultimately would require dramatic reorganisation. Will this create the Star Professor or professor-as-university with students from around the world signing up to his or her virtual and physical courses?\(^{88}\)

3. A third issue is the change in the model of how we think about learning and curriculum. Gaming could be the future framework for the future university. Already, gaming is central to the future of learning: recently Universitas 21 employed as curriculum designer someone with gaming experience.\(^{89}\)

4. More broadly, Clark Aldrich, James Gee, Marc Prensky, Seymour Papert\(^{90}\) and many others have argued that the designers of video game technologies are blazing the path that instructional technology will eventually follow. They ask us to imagine 3D learning worlds (in stand-alone and multi-student online versions) programmed to identify students’ skill levels and learning styles, build accelerated learning paths, bring the students into a “flow” state, and monitor and continuously assess their performance. As video games become ever more advanced and video game development and research programmes make their way into the nation’s universities, is this the future vision? What social or market dynamics will enable the positive synthesis of video game technology and education? Certainly this push leads us toward virtuality as the future imagination of the university. We should not make the mistake of imagining this future with current value and knowledge frames. Rather we need to take the views of digital natives seriously.

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\(^{87}\) For more on emerging issues analysis, see Graham Molitor, *The Power to Change the World: The Art of Forecasting*, Potomac, Maryland, Public Policy Forecasting, 2003.

\(^{88}\) Johan Galtung is a model of this – www.transcend.org

\(^{89}\) In conversation with Dr. Mukesh Agahi – February 18, 2005 Luxembourg Asia-Europe Foundation

Digital natives have different expectations, including the following:

- Interaction with editors/authors
- Editing built into what they do, i.e. the text is interpretive and malleable. Wikipedia is a great example of this.
- Connectivity – working with others to create products
- Levels – gaming levels, moving through lower skill sets to higher skill sets
- Form library to search engines, indeed, seeing the library as a search engine
- Global and Local (massive multi-player on-line games), i.e. seeing many intentional communities throughout the world, some totally open and some closed.
- Finally, we should not see the future of gaming and the university from old style games. Rather, new types of games are emerging. These include social impact games, as for example, linked to meditation/biofeedback and games linked to sustainability or other values sets.

5. Genomics. Advancements in genomics may also change the university. As the model of knowledge and the self moves toward the genetic (nature as the primary force, not nurture) the politics of equity will be crucial. In a world of genetic therapy and genetic enhancement, will genetic modification become the new barrier for entry? Will courses be designed for different genetic aptitudes? As significant, will today’s disciplines and faculties change as the genetic (biological) paradigm overhauls the industrial?

6. Developments in the new science via meditation and learning experiments are equally profound. They suggest that the brain can be altered, new neural pathways created, and old traumas resolved. The brain thus is seen as more malleable than previously thought. IQ can be enhanced via meditation and other soft brain technologies. Will meditation be central to the pedagogy of the university as is currently the state with Gurukul University and the TM University?

The trajectory of these issues is speculative and thus while these issues are likely to dramatically change the nature of the university; we can not reasonably forecast in what direction and to what degree.

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92 http://www.wilddivine.com/
93 http://www.socialimpactgames.com/
94 see www.gurukul.edu
Mid-level analysis – The deep tensions

In the nearer term, there are dramatic tensions occurring in the university. The first is the challenge of innovation and democracy. The democratisation of the university is not just difficult for administrators but is so also for senior academics. They tend to desire democracy for government but not for the university: the student is there to learn not to exercise deep democracy and the university thus remains feudal. For example, while the economy in East Asian nations has transformed, that is feudalism was destroyed, the feudal mind has not changed. The grand question for East Asian nations is this: how to create a culture of innovation, how to go to the next level of economic development, and – instead of copying – how to create? To create an innovative learning organisation, the culture of fear must be transformed. This means real democracy in details such as the type of seating arrangement in rooms (the round table versus the lecture theatre). It means renegotiating to what extent students can challenge professors. Can junior professors challenge senior academics without fear of reprisal? The argument is that innovation comes from questioning. Questioning is a critical literacy that is central to creating a robust civil society, and, indeed, crucial to attracting international students. It is this democratisation of the mind and society that is the current challenge for Asian and African universities.

In the British system, too, the university structure is profoundly feudal. A strong distinction is made between the professor and the lecturer. Indeed, the professor is high on top of the pyramid with others way below (and the president of the university residing on the mountain top). However, in the British system, even though the university is feudal, society itself is democratic and dissent is expected.

More democracy in the university means creating a learning organisation wherein academics, students, administrators, and other stakeholders reflect not just on the purpose of the organisation, but how each person can improve its effectiveness. What can be changed? What is not working? But this is only half the story. The other half is integrating emotions into the project of the academy: returning the body and heart to the intellect of the academic.

Merely focusing on learning forgets that much of our life is spent on relationship: with our inner self, with colleagues, with nature and cosmos and with the university itself. As universities change their nature – reducing tenured positions, increasing teaching loads – health becomes an issue. Sick institutions can emerge quite quickly, unless there is a focus on creating ways to learn and heal, and to develop sustainable and transformative relationships.

Democratisation can thus mean creating learning and healing organisations. These can then sustain civil society and begin to create society-as-univer-

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sity; university-as-society, expanding outwards to create the world-as-university.

However, there are antagonistic forces to this. For the Asian academic, for example, the choices as to what he or she has the capacity to do shrink daily. He or she can choose between the following alternatives – the 4 big M's. The first M is the Ministry of Education. Choosing this career means grant research focused only on the Ministry’s needs, and it means being dependent on government. When states go wrong, or punish dissent as in Malaysia or Indonesia, or Pakistan and India, losing one’s job and a stay in prison are real possibilities. Texts are written with the other nation as the enemy, as in India and Pakistan. The professor must teach these texts or lose his or her position. One Pakistani academic, for example, was jailed for giving a lecture on alternative futures that contested the notion of Pakistan as an eternal state.

The second choice is the Mullah, or the cleric. This is funding not from the Corporation or State but from the competing worldview to the modern, the Islamic. In real terms this has meant soft and strong version of Wahibism – the creation of International Islamic Universities with Saudi funds as in Malaysia. Freedom of inquiry can be a problem here as well, as boundaries of inquiry are legislated by the University’s charter. Instead of spiritual pluralism what can result is uncritical traditionalism.

If we combine the first two choices we get a combination of religious hierarchy with feudal and national hierarchy, creating very little space for the academic. In the Indian context, this would be the Brahmin who goes to Oxford to study economics, joins the World Bank and returns to Delhi to work with the Ministry of Economic Development. Epistemological pluralism narrows each step of the way.

The third M is “Microsoft”: focusing one’s career on developing content for the new emerging universities. This is the most rapidly developing area of Net education. The costs for the academic here too are high: it is contract work, often a loss of face to face, of collegial relationships, and of the academy as a moral mission. Volume and speed are likely to become more important than integrity and the inner life.

The final M is McDonaldisation. This is the move to the convenience 7/11 university, the direction where many universities are being forced toward given the realities of the world economy. The basic model is to have large student volume, in and out, with academics having heavy teaching, research, community, administrative and grant writing loads. A professorship can essentially become merely a money gathering expedition, not a position for the creation of new knowledge or mentoring the young.

97 Najam Sethi, editor of the Friday Times. See http://www.saja.org/sethi.html for more on his imprisonment.
Leaving these M structures is a possibility, dependent on the nature of the state one lives under. However, the traditional imagination of the university – as a community of colleagues – is not a possibility. For the Asian and African academic, the route in the last 50 years was the escape to the Western university, but with these universities also in trouble, this route seems blocked.

For the Western university, the mid-level problems are, as described earlier, corporatisation leading to causalisation. With causalisation, the lecturer becomes a wage labourer. This challenges the notion of university as community of scholars, diminishes the scholarly mission of the university, and is a significant contribution to the breakdown of traditional civil society, as work-family balance is threatened. That there is a gender dimension to this tells us a great deal about the linkage of globalisation and corporatisation to patriarchy. Finally, dissent becomes problematic as lecturers can be fired if they do not tow the political line. Fortress Europe, America or Australia demands new loyalties from academics: first to the nation and second to freedom of inquiry.

Along with causalisation, another challenge is posed by the organisational corporatisation of the university: it is run as a firm instead of as a guild (though managed by the Ministry of Education). The Vice-Chancellor becomes the CEO, the Deans become vice-presidents, professors become managers (but holding a dual position, still maintaining privilege because of access to secret knowledge) and students become customers. This leads to the end of loyalty. The university demands loyalty but cannot give stability and security, thus the feudal contract becomes emotionally void.

What then should academics in the West do? For the elite academics, the consequences are easy to map out. The professor moves from being located at a university to being a professor at multiple universities (not allowing any university to take over) and then ultimately the professor becomes the university. An alternative trajectory is the creation of an academic cooperative, i.e. group of professors creating their own university. Only national accreditation stops this innovation. And since industrial jobs are still based on accreditation, even as the walls become more porous, the university remains.

For the normal academic, the costs become higher and higher. What results is loss of agency, relative salary deprivation (compared to other professions: in OECD nations even to trades such as plumber and electrician) and over time loss of respect, i.e. the university seen more and more irrelevant to the future. In contrast, it is the media oriented technologist that is seen as where the real action is: new media technology creators (the i-pod, for example),

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website creators (youtube.com or myspace.com, for example), the content creators, and the marketers and distributors, not the analysts.99

Possible Future Structures

Given the above images, trends, emerging issues and mid-level analysis, there are three possible structures. One is being a University leader, joining the world’s elite, such as Harvard, Stanford or Oxford. The focus then is: “We are only going to get the best and brightest students around the world.” But the challenge to this model comes from the dotcom world. The big money is unlikely to be in teaching but in content design. The issue though is that once you en masse put your name on CD-ROMs and on internet content, does that diminish your brand name and its exclusivity? If everyone can enter an elite university’s web course, is the university still elite? This is the issue of franchising. Should you focus on a small customer base that can pay a lot or become like the University of Phoenix and offer “just-in-time” education?100

For large universities, there are two clear choices – elite university or low cost producers with hundreds of millions of new students all over the world as potential purchasers.

For the smaller university the only choice left is the niche university – focused in a particular area of excellence or in a particular locale – not trying to be too much, knowing one’s student market well.

The challenge to the traditional university is new competition from global players: multi-media corporations, elite universities that are expanding and branding, as well as low-cost producers. This makes their survival tenuous at best. With subsidies from states drying up, the writing appears to be on the wall.

These issues are already of concern in the USA and European nations. While it may be harder to see this in East Asian nations (and those colonized by England) since the State plays a much stronger role in education, eventually in five or ten years educational services will be privatized there as well. All universities will likely find themselves in a global market of students and other higher education (and primary education) providers.

However, a clever and robust university may find ways to combine all these structures, for example, by developing different campuses. One campus could focus on life-long learning and short courses. A second campus could be research focused, linked to government and industry, far more practical and action oriented. A third could be elite based, having student friendly

99 See Marc Prensky’s article at www.marcprensky.com
100 The largest university in the USA, offers no tenure, uses short courses as well as flexible delivery. A kind of just-in-time education.
teacher-student faculty ratios, focusing on grand questions of meaning and purpose. The Net could link them all, or there could be a fourth virtual campus, a net university.

Scenarios for the Future

The next question is what are the probable scenarios for the future of the university? We use scenarios to reduce uncertainty, to define alternatives. Scenarios are also important in that they also help us rethink the present – they distance us from today.

Center-Periphery reversed

The six largest Internet-based distance-learning universities in the world are located in developing countries – Turkey, Indonesia, China, India, Thailand and Korea. While mainly aimed at university-level education of adults, net education is spreading to primary and secondary education. As Asia continues to rise – with India and China being the two new stars – we can well imagine a world where universities in Asia are the best.

However, to do so, they need to (1) challenge feudal societal structures, that is create capacity so the university can lead instead of mimic society. (2) Move away from ethnicity and toward more global sentiments. (3) Finally, universities in Asia need to be futures-oriented. They need to move away from lamenting over past injustices or historical grandeurs and instead use tradition to create new futures. But one aspect of tradition is no longer helpful: the male domination\(^\text{101}\). For Asian universities to prosper globally, gender partnership is a necessary factor.

Center-Periphery enhanced

In this second future, business as usual continues, but more thereof. Western universities continue to rise. They already have edges in gaming, digitalisation, globalisation, not to mention patenting\(^\text{102}\) and university entrepreneurship. They will use their prestige and wealth to leap further ahead. Asian universities will continue to fall behind as there is neither talent nor tolerance, and indeed, in some places, little technology.

Global Market – Multiple markets, fluid

In this third scenario, centre-periphery distinctions disappear quickly, as the world is far more malleable. Indeed, the leaders may be western universities in Asia! In terms of structure, elite universities, though having high costs, will stay ahead because of their extensive use of high technology (for research,

\(^{101}\) See the works of Riane Eisler. www.partnershipway.org

\(^{102}\) The Human Development Report 1999 reported that 97 percent of all patents worldwide were held by industrial countries.
management and communication), star professors (giving them everything they want to stay at the university, building mini-universities around them), and by virtue of building on previous branding.

At the mass level, the market is likely to segment. Some universities will go on-line, many will be battered by new multinational players and start to disappear or swim downward to the community college level (the professionally oriented two year system). This is the market ripest for change.

At the niche level – short courses, new fields, inclusion of high school – there are many opportunities. In times of transition, many new niches are created in the evolutionary landscape. Niches are often safe, and they can be experimental. However, they may or may not survive when a new dominant paradigm for the university emerges.

**Global governance model**

In this future, the Bologna process currently underway in Europe becomes a global process. Ministries around the world cooperate, allowing agreement on credit transfers. There is far more of a fluid movement of students and professors. A global WHO type organisation results called the World University Organization (WUO). While bureaucratic, it ensures standardisation across the planet. Funding helps poorer areas innovate and the world-as-university image thrives. However, as with UNESCO, there are many problems. To make up for States withholding funds, private universities jump on the global bandwagon.

**The End of the University**

Over time, the university as we know it disappears. The WUO cannot manage the complexity of knowledge and learning. New forms of learning – tele-presence and sensor telemetry, dramatic discoveries in brain-mind science, in virtual learning – all lead to a new world. The entire world becomes a university.

These futures are certainly broad; they give us a sense of the overall possibilities. And of course for the university planner, policy analyst, they are too broad. More important are *meso level scenarios*. In partnership with Martin Fitzgerald, Pro Vice-Chancellor of the University of Newcastle (Australia), I present these meso scenarios.

To develop these futures, our first question was, what are the critical drivers? Two were identified. The capacity of the academics to respond to the various

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103 For more on this, see Majid Tehranian, “The End of the University”, in *The Information Society* (12 1996), p. 446.

104 See www.accenture.com for more on this.

105 These were developed at the Applied Futures Learning Course, Mt Eliza Centre for Executive Education, November 21-25, Melbourne, Australia. Dr. Robert Burke is the director of futures thinking there.
changes; and Corporatisation-globalisation and other financial challenges universities are facing.

Based on these two variables, two axes are created: Traditional/Feudal to Corporate/Global and Reactive to Responsive. From these two variables, four scenarios were created\textsuperscript{106}.

Capacity to Respond and Nature of the University

1. Corporatized-Responsive (Quadrant 4)

This is the university where both administrators and academics understand the world has changed, and that new agreements must be negotiated. Governance moves from guilds to learning organisations. New sources of revenue are sought, generally from the market. The administration seeks to facilitate the creative potentials of academics. Academics do not see themselves as selling out to the corporate world. Rather, they integrate their entrepreneurial selves into their identity\textsuperscript{107}. New technologies are used in ways that meet the changing needs of professors, administrators, and students.

2. Feudal-traditional – Responsive (Quadrant 2)

This is the niche university. The hierarchy of the professoriate – the elitist Harry Potter nature of the university – remains and the rituals of graduation continue, but it becomes more and more restricted in terms of number, though not in terms of funding. The Vice-Chancellor remains known for his scholarship and leadership capacity, not just for his capacity to earn. Academe-

\textsuperscript{106} For more on scenario writing, see Sohail Inayatullah, \textit{Questioning the Future}. Tamsui, Tamkang University Press, 2005.

\textsuperscript{107} Essential here is the work of Hal and Sidra Stone. They focus on the disowned selves – selves that we push away as we focus on particular identities. For academics, in the search for the purity of truth, the business self is pushed away. Classically for the corporate world, the ethical self is pushed away in the drive for profits. Integrating these various selves may be the most important challenge for academics. See http://www.enotalone.com/authors.php?aid=14.
mics respond to the changing world, but discriminate as to what needs to change, and what traditions must be stable.

3. Corporate-Reactive (Quadrant 3)

This is the mass situation: the staff are passive aggressive, resistant to changes. There is superficial adoption of new technologies (putting entire books or courses online instead of more interactive tailored learning methods). The industrial model is torn down but not in collaboration with academics. It is done by fiat. Tenure is slowly eliminated and freedom of speech is diminished. Students are seen as customers even when they may prefer to keep the classical scholar-disciple formulation. Department chairs have little understanding of communication skills, of multiple ways of knowing. Health indicators are poor throughout the organization.

4. Traditional/Feudal – Reactive (Quadrant 1)

This is the insular university, more and more impossible to retain. In this future, the hierarchy and feudal nature of the university is maintained. There is a lack of willingness to respond to globalisation, virtualisation and corporatisation. Governance remains top-down and financing remains a problem. The deep myth is that of Cinderella, hoping for a fairy god mother (the State or a Benefactor) to save the day.

Which scenario will result? Certainly any are possible, however, creating responsive scenarios requires facilitative leadership, leadership that listens to all stakeholders and includes them in mapping alternative futures and creating desired futures.

The Futures of the Profession

Let me now return to the future of the academic. What is the role of the academic in this dramatically changing world? The first possibility is the traditional professor. This is the agent of authority, great in one field but knowing less about other fields and with low levels of communicative intelligence. Adapting to wide scale changes would be difficult for the expert academic. Corporatisation, virtualisation and even trans-disciplinary projects would be resisted.

The second potential role is the professor as web-content designer. This is actively engaging in the development of new technologies. Keeping a critical eye for issues of equity and inclusion but also being innovative in their use. While the current age-cohort is unlikely to engage in these activities, younger academics may be more amendable. They are more likely to be able to see knowledge as quick, interactive, multi-disciplinary, and always changing. They want to be web-designers and information designers. While the old role for academics was to write books, the new role is that of creating novel types
of interactive content. And the content will likely be far more global and multi-
cultural than we have so far seen.108

The professor as web-content designer creates a third potential role: the
knowledge navigator. In this role, the student (and his or her worldview)
becomes paramount. To do this, action learning methodology is crucial.
Action learning means that through an iterative process, the content of the
course is developed with the student. While the professor may have certain
authoritative/expert knowledge, his or her role is more of a mentor, a know-
ledge navigator, to help the student develop his or her potential within cate-
gories of what is important to the student. Indeed, the categories of “student”
and “professor” are seen as narratives: to be used but not used by. Thus, it is
not the technology per se, though this is important, but using the technology
to enable the student/professor to create desired futures.

A fourth role is that of traditional corporate man, the salary man. In this future,
the lecturer understands the new corporate game, delivers research funds to
the university and moves up the ladder: from student, to lecturer, to profes-
sor, to assistant Dean, to Dean and then eventually to Vice-Chancellor.

However, the traditional stable world of the academic – quiet space in the
library, to reflect and to research problems that are not immediately relevant
– may be gone. As the university continues to causalise, the research and
community climate that long term positions (and friendships) create, will
begin to disappear.

In any role, the key for the academic in a disruptive and changing world is to
understand the inner dimension of what it means to be an academic, i.e. to
explore one’s root metaphors: Is learning about co-creating with others? Is
learning about filling empty minds? Is learning about helping others have
access to tools? Finding a role in a changing world can emerge best when
there is clarity of one’s inner purpose. This is true for the university as well:
what is the deeper purpose and mission that can sustain during changing
and sometimes difficult times?

Conclusions

The university is not dead but transforming. For my personal perspective, I
would like to retain the notion of a community of scholars but with far more
sensitivity to market, to student, to communities, and to planetary problems.

While respectful of others, I also want to keep the notion of dissent. This is
what leads to social and physical innovation. Dissent challenges power and
the normal way of doing things in every generation. In a religious system, the
scholar must challenge the power of god; in a secular system, the scholar

108 For more on this, see Sohail Inayatullah, Marcus Bussey and Ivana Milojevic, eds. Neohumanistic Educa-
tional Futures: Liberating the Pedagogical Intellect. Tamsui, Tamkang University, 2006.
must challenge the power of the state; in a materialistic system, the power of wealth; and in a technopolis, the instrumental power of technology.

Finally, I believe that as academics, our work is not only external, but internal, integrating our various archetypes: the *worker*, serving the student, community and market, but especially planet; the *warrior*, challenging what is wrong in the system, and creating better rules; the *intellectual*, creating new ideas and innovation, understanding, communication, creating and transforming the world; and the *entrepreneur*, creating new value, creating new wealth, applying what we learn.

This means integrating our disowned selves – the entrepreneur, for one, but also the playful aspect of life, often neglected by the serious academic. A further challenge will be to recover the spiritual dimension of the academic and of the university. This is moving toward deep reflection, seeing the intellect as only one tool of the mind. As the Indian philosopher Sarkar argued\(^\text{109}\), the intellect must be liberated if we are to create a new world.

Can we do all that?

If we do not respond to the challenges facing universities then what will happen? Most likely, it will be business as usual, muddling through, things getting worse and worse, more and more labour/management conflicts, and more and more loss of respect for the academic and the university.

I would prefer creative responses to the challenges to corporatisation, virtualisation and globalisation. The industrial and classical images of the university are changing. Resisting this is futile. However, merely adopting corporatisation, globalisation and virtualising uncritically would be a tragic error. A creative entanglement of outside and inner world is required.

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Today, Europe is a wealthy continent. But tomorrow, it could be much poorer. An unfavourable demographic development, the high price of labour, and relentless competition from old and new competitors threaten Europe's comfortable position. To counterbalance these dangers, Europe has adopted the Lisbon Strategy. It sets Europe the aim of becoming a world leader in innovation and knowledge creation. Alongside with further knowledge producers, universities and other higher education institutions have a key role in making the Lisbon Strategy work. However, in their present state, Europe’s universities are ill-equipped to become innovation engines. In order to play this role, they themselves need to change. They need more funds than they have today, they need better governance structures, and they must enhance their global appeal. These issues – governance, funding and international attractiveness of Europe’s universities – are key concerns of this book. The volume also depicts the main outlines of the Lisbon Strategy. Most of the contributions in this volume are based on presentations delivered at the ACA conference The future of the university, held in Vienna in December 2005.