9

Value For Money

Read this chapter if you would like the following issues addressed:

- Are students getting value for money from their university?
- What is “staffing efficiency” and how does it affect the learning and research performance of a university (i.e., value for money)?
- What should students do if they feel that they are not getting value for money?

The famous American investment entrepreneur, Warren Buffett, once wisely observed that,

"Price is what you pay. Value is what you get."

In this chapter we look at what students should expect to get in exchange for the money that is paid to universities to provide their education. It does not matter whether that money comes from the students themselves; the government; corporate sponsors, or other benefactors – in any reasonable assessment, all the money that a university derives for education is because of the students and their learning and research needs. However, in practice, not all university expenditure can be directed towards these ends and, hence, there is always an issue of whether a university has delivered value for money, and who is responsible for ensuring that it does.

In terms of size, universities are significant organisations by any standard. Even small universities can have budgets of hundreds of millions of dollars – larger, international universities have budgets in the billions of dollars, and some North American universities even manage investment portfolios in the order of tens of billions of dollars. With this in mind, the undergraduate student might assume that there are numerous checks and balances in place to ensure that universities act with financial propriety and provide "value for money" – and, to a large extent, there are. Universities generally have internal financial experts, investment advisors, internal auditors, external auditors, finance committees, governing councils, and so on. In principle, these experts have a role to play in ensuring that universities deliver value for money to the students they serve.

Ultimately, however, the only real arbiters of value for money can be the students themselves.

One might well ask how an 18 year old student is supposed to make sense of telephone number sized budgets, and then determine whether or not they have received a fair deal – and, moreover, what is a student to do if he/she feels that they have not received value for money from the system that is in place to serve them. Ironically, this assessment isn't as difficult as it seems, and undergraduate students all have an important role in keeping pressure on university leaders to ensure that money derived for education is indeed spent on what it was intended for – that is, learning and research.

Universities obviously can't expend all their money directly on learning and research – as large organisations, there are numerous outgoings for facilities, functions and services that have to be provided – some visible to the students and some not. Overall, university outgoings can include:

- Buildings, laboratories and grounds ("the campus").
- Academic (lecturing) and research staff.
- Research students.
- Non-education based research (i.e., professional research, contract research and development, etc.).
- Technical Support.
- Administration and management.
- Travel.
- Marketing.

- Supporting services (libraries, information technology, finance, legal, student counselling, etc.).
- Research grants and scholarships.

The university cake has to be divided into a number of slices, and the question for students is whether or not their slice is fair in the overall context. The issue then is what sort of things should go into the students' "slice" of the funding, and what should students be entitled to receive while at university. The basic items should include:

(i) Quality learning facilities (lecture theatres, tutorial rooms, meeting/breakout rooms, etc.) which are well maintained.

(ii) Lecturing staff who are genuinely knowledgeable in the field in which they lecture, and have sufficient time to dedicate to undergraduate students.

(iii) Laboratories which are safe; well equipped and well staffed with technicians and demonstrators who manage and maintain the facilities, and can support student experiments and projects.

(iv) A basic, functional information technology structure that can support learning and research needs.

(v) Basic on-line/printed teaching materials that are required for undergraduate study.

(vi) Access to specialised software/hardware required to undertake study programs.

(vii) Private study areas where students can work collectively on assignments and projects.

(viii) Library facilities, including both hardcopy and electronic information – in particular, text books prescribed for courses should be readily available in libraries and in sufficient volume to make them accessible even during peak demand. For senior undergraduate students and postgraduates, libraries should also stock a relevant range of journals and conference proceedings.

(ix) A campus which is well maintained and provides sufficient space for social and recreational activities; student meeting areas, and so on.

(x) Basic support services including student administration, access to computing and Internet; general software, etc.

(xi) Extraneous supporting services, including counselling, careers advice, basic nursing/medical, etc.

Over and above these basic items, the better universities may choose to provide other facilities and services, including:

- Individual mentoring for undergraduate students.
- Comprehensive tutorial support, including personalised support for students with emotional or physical difficulties.
- Comprehensive printed/on-line teaching materials rather than just basic notes.

- Facilities and financial support for clubs and societies.
- Sports and recreational facilities (gymnasium, swimming pool, etc.).

The unfortunate reality, however, is that not all universities even provide the basic elements required to support undergraduate education, much less those additional items which could be considered as above and beyond the call of duty. So, where does the money go?

As previously noted, a university budget is divided into numerous elements, but these can be simplistically categorised into two basic types of expenditure:

- *Core activity costs* – academic, technical, library and research staff; research scholarships; facilities (and maintenance staff), and information technology infrastructure (and support staff).
- *Overhead costs* – management, administration, marketing, legal, finance, etc.

In an ideal world, one would naturally wish to expend 100% of a university's turnover on core business and none on overheads but, in practice, some overhead costs are essential in order to have a functioning organisation. The difficulty is in determining what ratio is reasonable in terms of core activity expenditure to overheads. In business, this ratio might be as high as 90%:10% - in universities, however, the ratio can be less than 50%:50%. The ratio is important to students because, for every dollar that is expended on overheads, there is one less dollar expended on core activity, and this impacts directly upon students and whether or not they gain value for money from their university.

Figure 9.1 shows the staffing efficiency of Australia's universities, based upon staffing figures compiled in 2006 by the (then) Department of Education Science and Training (DEST) (Appendix B of this book contains a more detailed analysis).

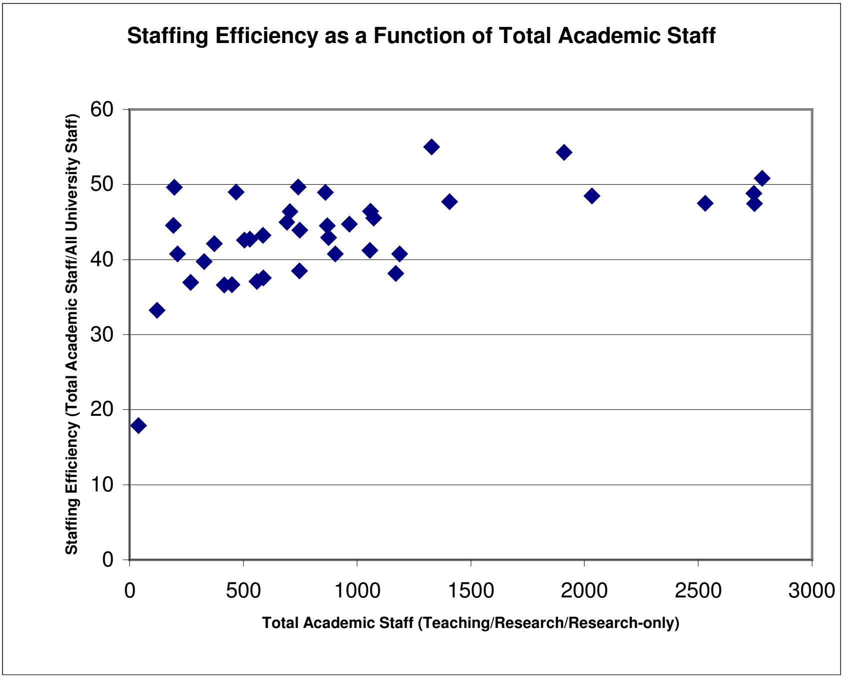

Figure 9.1 – Staffing Efficiency of Australia's Universities, as a Function of Total Academic & Research Staff at Each University (Staffing Figures from DEST, 2006)

Staffing efficiency here is defined as the ratio of core staff (i.e., academic and research staff who are engaged in learning and research activities) to total university staff (i.e., management, administrative, academic, research, marketing, technical, etc.).

Figure 9.1 shows that universities with a higher number of core staff (i.e., larger universities) tend to have a higher staffing efficiency than those with a smaller number of core staff (i.e., smaller universities). In some smaller universities, the ratio of core staff to total staff is less than 40%, whereas in larger universities the figure approaches 50%. There is nothing remarkable about this phenomenon in the sense that size creates efficiencies in most organisations, particularly in business, and leads to better returns for shareholders. In Australian universities, there are no profits to return to shareholders, but the benefits of staffing efficiency should be visible to students through:

- A university with a greater depth and breadth of academic and research expertise.
- Better campus and facilities as a result of proportionately lower overheads.

Students considering study options at several universities can readily determine their staffing efficiency by examining the statistics pages on the universities' websites, or by downloading the data directly from the Federal Government website (i.e., the Department of Education Employment and Workplace Relations).

Figure 9.2 shows how the performance of Australian universities relates to their staffing efficiency – again, Appendix B of this book contains a more detailed analysis.

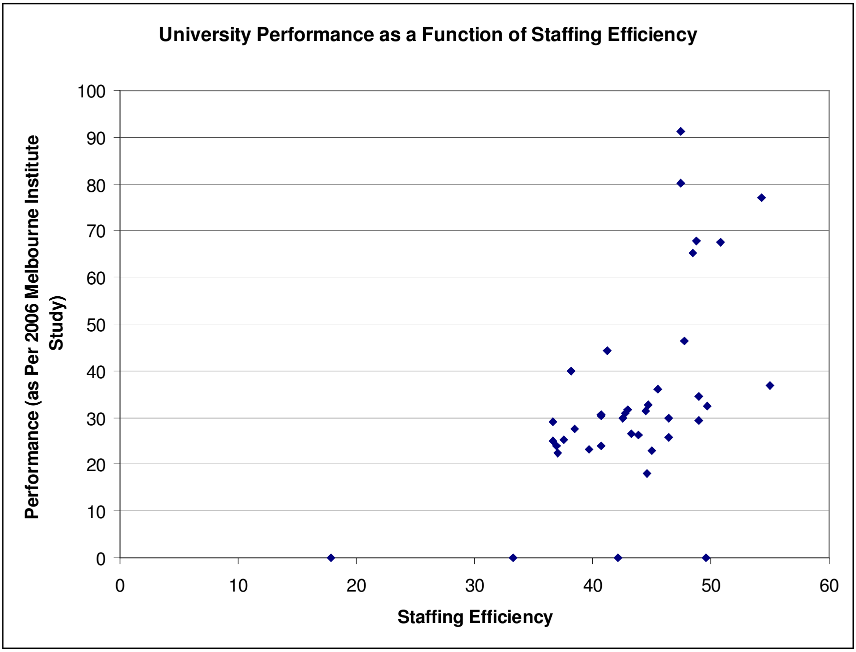

Figure 9.2 – University Performance (as per 2006 Melbourne Institute Rankings) as a Function of Staffing Efficiency (DEST 2006 Figures)

Not surprisingly, perhaps, Figure 9.2 shows that the Australian universities with the lowest staffing efficiency also tend to be those that are the poorest performing when subjected to an external assessment of learning and research outcomes. In this case, the performance figures were derived from the 2006 Melbourne Institute study on discipline rankings but, given that much of this study was itself largely based upon government (DEST) performance data, there is some confidence that any independent review would yield similar results.

Staffing efficiency is therefore also important to students who are already at university because a university with a low staffing efficiency is less likely to be able to deliver good learning and research outcomes – that is, value for money. Ultimately, students do not go to university to admire the management, finances, administration or marketing of the organisation but to make use of the core elements related to learning and research.

The problem with overheads, such as management, marketing and administration, is that they tend to become an end in their own right – good management for the sake of good management; good marketing for the sake of good marketing, and good administration for the sake of good administration. In all organisations, therefore, there is a tendency for such costs to naturally increase, simply because those involved in them believe they can improve their performance with more resources and more staff. There is also a natural tendency in developed societies for statutory regulation and bureaucracy to increase, thereby increasing the complexity of management and administration. The corollary of increasing overheads is a diminution of the amount of money available for the core functions of learning and research – that is, a decrease in the "value for money" provided to students by a university.

Importantly, because management controls the purse strings of an organisation, there is a general trend to avoid cost cutting that affects management, marketing and administration, and to push cost cutting down to a lower level (core business). So, as a general trend, if left unchecked, the ratio of core business expenditure to overheads generally declines over time, and an organisation becomes less productive and more top-heavy.

In the business world, there is a large force which acts to drive down the amount of money expended on overheads – this force is competition. Whenever new players enter an established business arena, they seek to gain market share by undercutting or outperforming the existing players. New business players tend to start life as lean, flexible and responsive organisations – simply because they don't have the money or cash-flow to be top-heavy. Hence, for this reason, any "fat" in the broader system, in the form of overheads, has to be kept to a minimum in order to keep existing players competitive. Those that are not competitive are forced out of the market. Of course, even in business, when the environment stagnates, and there are no new players entering (or existing players leaving) the market, then there is no force to drive down overheads, and all the existing players become disproportionately top-heavy. This also occurs in the extreme case where a business has a monopoly on the type of business it conducts.

Sometimes there are other forces that prevent new players from entering a market to drive down overheads – for example, "cost of entry" into the marketplace can be a big factor, which means that unless new players have vast financial resources, they are unable to get a foothold into a market, and existing players have the luxury of a stable environment which becomes progressively less efficient. A good example of a market place which has a high cost of entry would be the passenger aircraft industry, where a new player would need to invest billions of dollars, up front, in order to become a serious competitor to the established players. Such a market tends to be relatively stable, with only a few key players that each tend to migrate towards a fixed proportion of the market. At best, players can compete by each seeking to take a higher proportion of their competitors' market shares – but, with all players well established, the gains tend to be only incremental, and oscillate backwards and forwards as each competitor responds in kind. At worst, the remaining players in a stable market can be content with their share of market and collectively become less efficient than they might otherwise be. In practice, there is generally no dramatic downward pressure on the market until a new player seeks to acquire a substantial proportion of what the existing players already have – by undercutting them or by providing a better product or service.

The university environment is a relatively stable/stagnant market in Australia for a number of reasons. Firstly, in Australia, universities are generally underpinned by government funding. Although it is technically possible for a university to "go broke", it is interesting to note that in the first hundred and fifty years of operation, not a single university had ever done so, despite some having amassed considerable debts and financial problems – the worst case scenario is generally that a poorly performing university would merge or be absorbed into another university.

Secondly, the financial and regulatory barriers to new players entering the university marketplace are enormous – new universities would need to get regulatory approval from the government to call themselves universities, and potentially invest tens or hundreds of millions of dollars at the outset to set up even a basic campus.

On top of the direct financial barrier to entry for new players is the indirect financial barrier known as "brand value". Universities that have been in existence for a century, or more, carry with them an enormous brand value based on their contributions to society – this is not something that can readily be usurped by a new player, even if they invest heavily in slick marketing and developing a new brand. It has been estimated that the intrinsic brand value of some of North America's finest universities is in the order of billions of dollars – simply because of the value such brands have in attracting students, research investment, endowments, and so on. The brand value of the university may not be entirely "real" in the sense that such brands are never likely to be sold, but the brand value is indicative of the real money that a competitor would have to expend to have their new brand attract the same level of customers and investment as the established brands. So, brand value is a cost barrier to entry.

The third reason for stability in the Australian university sector is that the domestic student market in Australia is relatively stagnant – there are few opportunities to dramatically increase the size of the cake at a local level, and as the average age of the population increases, the size of the cake actually diminishes.

The only dynamism in the Australian university market arises from internationalism. On this front, there are two threats. One is that, as a major exporter of university education, if Australia's university system performs poorly across the board, then international students may choose to go elsewhere in preference, thereby damaging the viability of some of the nation's universities and their brand value. The other threat is from large, international universities, which have both the brand value and the resources to overcome the barrier to entry, that may choose to establish a base in Australia in competition with the existing universities – that is, to become new players in the market, seeking to attract market share (i.e., students) from the existing players by providing a better brand and/or educational "product".

In the context of international university education, the student market tends to make decisions about universities on a number of key factors, including:

- University brand.
- International rankings (Jiao Tong, Times Higher Education, etc.).
- Political climate of the country in which the universities are located (i.e., Is the country safe and free from instability, terrorism, etc.?)
- Economic climate of the country in which they universities are located (i.e., What are the job prospects in that country after getting a degree?).
- Immigration policies of the country in which the universities are located (i.e., Is the target country sympathetic to giving residency, work visas or citizenship to foreigners who graduate from their universities?).
- Fees associated with degree programs.

As one can see, beyond the fees and the brands themselves, none of the above international factors go directly to the issue of whether or not universities actually provide "value for money", in terms of what they tangibly deliver in exchange for the fees that are paid. Many international students are pragmatically "brand conscious", and simply equate "value for money" with the brand (degree) delivered in return for the tuition fees that are paid. So, even though one might think that the dynamic international student market might provide a large, downward force on university overheads, this is not necessarily the case.

With these points in mind, students need to be aware that the Australian university marketplace does not intrinsically have sufficient downward pressure on overhead costs to ensure that they are at their lowest possible levels and, therefore, that the amounts of money expended on core learning and research are at their highest possible levels.

Successive federal governments have attempted to force universities to improve their efficiency by decreasing the number of real dollars per student which they allocate each year. The theory is that new technologies and management approaches provide pathways to better organisational efficiency each year, and the reduced funding should have the effect of coercing universities to adopt them, without impacting upon learning. In practice, this only works in universities with high calibre managers, because ongoing organisational change is a complex and painful process.

For the remainder of universities, the end result tends to be cost cutting of core activities – that is, reducing academic and technical staff numbers; foregoing maintenance on buildings, lecture theatres and laboratories, etc. This sort of cost cutting is largely invisible in the short term but has dire consequences over a long period of time – because once the deficiencies are identified in the long term, they are difficult (if not impractical) to remedy. Cost cutting of core activities in public organisations, such as universities, is essentially analogous to asset stripping in business organisations – particularly because, once core assets have been allowed to decay, there is little prospect of acquiring additional funding to reinstate them – since it is a lack of funding that leads to the decay in the first instance.

It is a difficult task for governments to attempt to engender operating efficiencies into the university system from above in order to ensure that the maximum amount of money is expended on core business. It is a task made all the more difficult by the need for university systems to be managed independently of government to preserve integrity. The real pressure point for universities to deliver value for money therefore has to come from the students themselves. It is the students who are best placed to judge how they are being treated at the end of the long and complex chain of strategies and decisions made by government, university chancelleries, faculties and departments.

In Australia, students tend to be overly accepting and forgiving of poor facilities, or insufficient expenditure on core resources, such as the provision of academics who are experts in the fields in which they lecture. When students don't get value for money, there is a tendency to accept at face value the proposition that universities should be forgiven for their sins because they have insufficient funds to do any better. When students accept such a proposition, they should understand that they are effectively absolving university leaders from the responsibility of securing and allocating the resources required for core activities, in order to provide value for money.

It is all too easy for an undergraduate student to be confused by the size and complexity of university budgets and expenditures. In general, when universities don't deliver value, they therefore tend to rationalise their actions with complex financial arguments, perhaps in the hope that this will dissuade students from taking matters further. Ultimately, however, financial arguments are not the students' concern – these are matters for university management. Students should therefore not be sidetracked from getting value for money by arguments based upon budgetary considerations.

In order to simplify the situation, let us therefore consider the fundamentals of value for money for students, unsullied by complex budget and funding issues. The basic facts are these:

- Students have a right to have good facilities, good academic staff, etc. Most universities have, in their Act of Establishment, a formal commitment to providing quality learning and research outcomes, and consequently, adequate staffing, student facilities and services are central to this.
- It is not a matter for students how universities are funded; whether they receive adequate funding, or even how they organise their budgets to provide facilities and services. It is the students' concern when these basic items are not delivered.
- University leaders are very well paid to ensure that facilities and educational services are provided to students, and to secure funding and resources accordingly.

- If a university is under-funded, or mismanaged to the extent where it is unable to provide quality educational staffing, facilities and services, then the university leaders have a formal responsibility to act by either securing additional funding from other sources; restructuring the university (e.g., cutting overhead costs; merging the university with another entity, etc.) or, ultimately, even closing the university and transferring the students elsewhere.
- Universities exist for the benefit of students and society through a compact of mutual learning – they do not exist for the sake of existing, or simply as historical curiosity pieces, for the sole reason that they have been in existence for decades or even centuries. When universities cease to provide benefits to students and society, for whatever reason, they forfeit their right to exist.

When the arguments are simplified to this level, it becomes clear that students have an important role in making the universities more efficient; more accountable, and better at delivering learning and research outcomes.

So how does a student really know whether or not their university is delivering value for money? There are several ways of determining this:

- *Staffing Efficiency* – it is a simple matter for students to get data that illustrates how efficient their university is in comparison to other universities – the general rule is, the poorer the staffing efficiency, the poorer the management, the poorer the learning and research outcomes, and the poorer the value for money.

- *Instinct* – most students are intelligent enough to know when they are being treated poorly – perhaps they are being provided with "fill-in" lecturers who know little or nothing about the field in which they lecture, or perhaps the lecture theatres are dilapidated and untidy – perhaps there are no laboratories or there are inadequate technical staff - there are numerous tell-tale signs.
- *Benchmarking* – most students have peers/colleagues in other universities – they should compare facilities, etc. Spending the time to visit a few other universities in the local area, and making a comparison, is a valuable exercise. Browsing the Internet to look at the facilities and programs offered by the world's leading universities is another good way to assess where one's own university fits in at an international level.
- *Rationalisation from the university* – students that are subjected to ongoing rationalisation from academic staff or university leaders should be able to determine there is a core problem *("…we've had numerous cutbacks…"; "…the number of dollars per student decreases each year in real terms…"; "…we simply can't afford to run real laboratories, we need to simulate…")*

These are all things that can be considered collectively by students and, if the determination is that value for money is not being delivered, the issue then becomes "what do we do next?".

History shows us that most students will simply ignore the problems and "make do", thereby leaving the problems to the next cohort of students, who will also "make do", and leave their problems to the next cohort, and so on. There is a perception that it is not the students' role to initiate change in the system. There is also a perception that students don't have the capacity to make a change when, in practice, university leaders are more likely to respond to widespread, genuine concerns from students than they are to many other external pressures.

The other reason for students failing to initiate corrective action when value for money is not being delivered is that students are genuinely preoccupied with passing their subjects, and other personal pursuits, and feel that they don't have the time to turn their attentions to broader, underlying issues such as fixing the university world – *"…Why should I have to do it? Let somebody else fix it…"*.

The answer to the question of "*why should I?*" is relatively simple – responsibility. When students enter into a university, whether they like it or not, and whether they have chosen it or not, they become endowed with adult responsibilities. The students become the *de facto* "parents association" whose role it is to look after not only their own interests, but also the interests of other current and future students. Put more succinctly, in the words of John D. Rockefeller,

"…Every right implies a responsibility; every opportunity an obligation, and every possession a duty…"

For those students who understand that universities do endow them with rights; with opportunities, and with possessions to pass on to the next generation, there is a need to accept the mantle of responsibility, obligation and duty. In so doing, and in recognising areas where a university does not deliver value for money, in keeping with its charter for learning and research, there is a basic sequence of steps to follow:

(a) If a problem has been identified by an individual student in the context of not receiving value for money, then that student should discuss the issue with his/her peers to determine whether there is a widely held view about the problem.

(b) A problem identified by an individual, which appears to be unique to that individual, needs to be tackled differently to a problem shared by many peers.

(c) If there is a widespread belief amongst student peers that the university is not delivering value for money, then the most effective form of response is a collective one. This amplifies the message that is being sent and ensures that it does not appear to be a petty or personal grievance.

(d) Universities tend to encourage students to provide feedback via surveys. While these provide one forum for voicing grievances, the reality is that feedback surveys are treated as bureaucratic, administrative documents which have only limited impact *("…the statistics aren't particularly good this year but we expect them to improve…"*). It is far better for students to formally raise issues of concern by creating a separate forum, so that it creates a punctuation mark in management and focuses university attention – there are various forums open to students, including the faculty management, faculty board, academic board and university council.

(e) In the context of "value for money", an issue of concern should be formally raised in writing, with the offer of meeting appropriate university staff to discuss possible remedies later. Any written documents should be businesslike; based upon facts and data (rather than emotions and opinions), and free from petty, personal remarks or observations. Specific problems should be clearly enunciated. Wherever possible, university staff should be referred to by their titles, not their names, to avoid any suggestion of issues being based upon personality.

(f) Any problems that are raised should be raised in conjunction with a possible pathway to resolution – for example, *"…we believe that the lecture theatre for the XY101 subject is dilapidated and unsuitable for educational purposes and the remaining lectures should be moved to a new venue..."*

(g) Any problems that are raised in the context of "value for money" should be worded in such a way as to pre-empt a response from the university suggesting that it does not have sufficient funds to remedy the problem. For example, *"…the university chancellery will be only too aware that it is funded by the government and the students for the express purpose of providing quality education in engineering, and this requires quality laboratories and technical staffing – these have not been provided…"*

(h) Problems with value for money that arise from inadequate resourcing by the university should be sheeted home directly to the university leaders to avoid buck-passing the issue back to the students. For example, *"…it is not for the students to advise the university where it should derive additional funding or how to divide that funding – the students have identified serious inadequacies in the value for money provided in this course and it is our expectation that the university management will accept responsibility for the problem and remedy it by providing those resources…"*

(i) As with all problems encountered at university, there is a chain of command, and students need to decide what level in the chain needs to be addressed in the context of a complaint in regard to value for money. For example, issues relating to poor academic staff or academic staff who are not experts in the field can be addressed to a head of department or dean in the first instance. If no satisfactory response is received then the complaint needs to be moved to a deputy vice chancellor, vice chancellor and, if still unresolved, to the university council via the student representative if necessary.

(j) In all cases, if a university is unwilling to address an issue of value for money which appears, from the student perspective, to be a valid one, then the student should move the matter outside the university to a local federal or state member of parliament or the relevant federal or state minister for education. If the issue involves a breach of university procedure or policy, then the matter may also be referred to the relevant Ombudsman.

(k) If an issue of value for money pertains only to an individual student and not to the wider student body (for example, a student who feels his marks are not an accurate reflection of his performance, or perhaps a student who is unfairly charged for a subject after withdrawing from it), then that issue needs to be addressed, in the first instance, through the rules and regulations of the university – tiresome as this may be in a large, bureaucratic organisation, there is little practical scope to remedy such a problem without first going through the standard procedures. Only after the standard procedures have been exhausted, without resolution, should a student move up through the chain of command and, if necessary, through to state and federal members of parliament.

(l) In all cases, students should familiarise themselves with their representatives on the university council and, whenever necessary, put forward suggestions to their representative to raise with the council for improving the university from the students' perspective.

The moral of this chapter is that although one may expect to automatically receive value for money from the university system, in practice, this sometimes has to be earned, and sometimes has to be fought for through an acceptance of responsibility and by challenging the system itself. And, in the words of Winston Churchill,

"The price of greatness is responsibility".

Chapter 9 Summary:

(i) *Students are entitled to a basic set of resources and services that aid in their learning and research – the extent to which these are provided constitutes the value for money that a university provides those students.*

(ii) *Although value for money is generally something which is indirectly alluded to in the various Acts of Establishment of universities, it is not always provided.*

(iii) *Students need to understand that in the university system, as adults, they are the ones who need to take up the mantle of ensuring that a university not only delivers value for money to them but to their peers and successors in the system.*

(iv) *A key element in universities delivering value for money is staffing efficiency (that is a high proportion of academic and research staff to total staff). Students should monitor the staffing efficiency of their university and, if it fails to meet national competitors, the issue should be brought to the attention of the university because it directly affects student learning and research outcomes.*

(v) *A failure to deliver value for money can affect an individual student or an entire collection of peers. The processes involved in individual problems are different to those of a group. An individual faced with a problem needs to work through university procedures and protocols. A group confronted with a problem can elect to go around those procedures by voicing their concerns directly and forthrightly with university managers.*

(vi) *Students should not be dissuaded by financial arguments (from university management) from pursuing issues that affect the value for money they receive from their education. University management has a responsibility to provide value for money and it is not the students' concern how they organise their finances to achieve this end.*

(vii) *Many students are reluctant to challenge a university when it fails to deliver value for money. This not only represents an error of judgement, but also diminishes the opportunity for resolving a problem that may be passed on to the next generation of students.*