



**Massey University**

**Investing for Success:  
The Creation of Public Value in  
Tertiary Education**

**2008 Tertiary Education Management Conference  
Christchurch, New Zealand  
28 September - 1 October.**

Hon. Steve Maharey  
Vice-Chancellor  
Massey University  
New Zealand

Thank you for the invitation to join you at the outset of your conference.

As you are aware I used to be a politician and had responsibility for the tertiary education system between 1999 and 2005.

I am now, this week in fact, the Vice-Chancellor of Massey University.

Some people have been kind enough to suggest that they are watching with interest to see if I like working within the tertiary reform agenda as much as I enjoyed putting it in place. A gamekeeper turned poacher scenario.

I can report that I feel very comfortable.

The background to your conference is the expectation placed on tertiary institutions to make a clearly stated contribution to our society.

To meet these expectations you are aware that your institution requires an investment strategy that will ensure you can demonstrate the value of what you do for those stakeholders.

You are going to discuss how to “Invest for Success”.

This is exactly the kind of discussion the tertiary reforms hoped to encourage and I, as someone who now leads a University, believe that is a discussion I should be having.

In my comments to you today I want to do the following:

- introduce the concept of public value to provide a framework for our thinking about how tertiary institutions might invest for success;
- reflect on the purpose of the tertiary reforms;
- look at how tertiary institutions need to change to succeed in the new environment;

- and, suggest that amidst change we need to protect our independence.

## **Public Value**

When we think of tertiary education, or education in general we usually employ terms like public good – referring to something that is available to people as of right – or a merit good – referring to something that should be provided to all people because it is in their interests to access it.

Public or merit goods are different to private goods that are typically traded in the marketplace with a buyer and seller.

It is not impossible to treat education as a private good but in societies like ours it is the public sector that has traditionally been asked to provide all or most of it.

In the context of an increasingly market-oriented economy and society, questions have been asked about the possibility of treating education as a tradeable commodity.

We have seen a dramatic increase in the number of private tertiary providers and elements of the market have been introduced throughout the system in the form of student fees, more competition, changes in employment relations and greater contestability.

Education is not the only area that has experienced a debate about the relative merits of private versus public provision. The debate is common to all areas of public provision and as we know a good deal of the public sector has been privatised.

In the face of pressure to “marketise” education, there has been an effort to think through what contribution it makes to society in terms that might be more appropriate. The concept of public value has been proven to be useful.

The use of this concept arises from the belief that there is an important difference between the public and private sectors. Any private sector business that wants to remain in business knows it has to do more than make money. But the primary measure of what it does is to create private value. It focuses on its customers and creates a profit that can be distributed amongst its shareholders or owners.

In the public sector this is not what we do. We may act in a businesslike fashion, we may even make a “profit”, but we are not businesses for the simple reason that much of what we do will not and cannot create the kind of financial return seen in the private sector. In addition, societies like ours have decided that what we provide has a public or merit good aspect to it and lack of money should not restrict access.

But it is not enough to say that it is obvious we create something of value and that is where the matter should end. The public sector uses money that is raised through taxation. The money could be used elsewhere – principally by taxpayers who would like the money back if we are not using it wisely.

So how do we explain to them exactly what they get for their taxes?

In addition, the public sector acts under the mandate of legislation. The title “university”, for example, is protected in legislation from use by anyone other than those who meet certain criteria. The public sector needs to explain why it should enjoy this legally protected position.

To try and make sense of what the public sector does, the Harvard based specialist in government, Mark H. Moore, coined the concept of “public value”.

By public value he means:

- value can be found in desires and perceptions of people;
- these desires can take the form of goods and services or what is being asked for by representatives on behalf of the community;

- public value is created by producing goods and services people want or by demonstrating that something useful is being done for the community;
- both the providers of resources and the clients or beneficiaries of the activity need to be satisfied;
- people and representatives want to be told what they are getting for their money;
- and, desires and perceptions change so public value changes and the public organisations must change.

According to Moore, public sector managers must work hard at defining what value they produce as well as producing that value. Moreover, they have to be prepared to change their organisation in the response to shifting desires and perceptions.

Let's stop for a moment and consider what this means for our organisations.

*What is the essential difference between private and public value? .*

*Thinking of your institution – what public value do you create?*

*Over recent years what has your institution done to create more public value?*

Public value and the pressure to create more public value lie behind the tertiary education reforms in New Zealand.

### **The Tertiary Reforms.**

The tertiary reforms of the past few years have their precedent in the late 1980s when the 4<sup>th</sup> Labour Government released Learning For Life. That report made it clear that the tertiary sector needed to respond to social and economic changes.

Learning for Life represents a moment in public policy when the importance of education to the social and economic success of the

nation was being recognised. Of course the importance of education has always been recognised – that is why the state has provided funding.

But tertiary education was reserved for a slice of society until the 1970s when mass education became the norm. Access to education was understood in terms of citizenship (the public and merit goods we talked about earlier). I was a beneficiary of those expanded opportunities no doubt like many others in this room.

Learning for Life still contained elements of that liberal democratic view of education, but it was also influenced by the growing importance of education to the emerging knowledge society.

A knowledge society is not one that values knowledge more than other societies. Rather they are societies in which knowledge is seen as a driver of economic growth.

The simple practical outcome of the emergence of a knowledge society is that business and Government in particular become interested in what economic benefit can be derived from education.

The broad arguments behind Learning for Life were put to one side during the 1990s in favour of the focus on lifting participation. The importance placed on participation was still in response to the emergence of the knowledge society. Getting more people qualified at the tertiary level was seen to be an endpoint in itself.

Participation did increase, but concerns mounted that quality, relevance, access and connectedness were not part of the policy mix. The most important focus for a university had become getting the additional stage one student into a low cost course because they added most financial value. Research did not seem to get the emphasis it needed. Perhaps, the argument went, a more strategic approach was needed.

The National Government showed an awareness of these issues when, in 1999, it began a consultation process under the banner of Bright Futures.

In 2000, soon after the formation of the Labour-led coalition, the Tertiary Education Advisory Committee (TEAC) was formed to develop a “shared vision” of tertiary education for the 21<sup>st</sup> century.

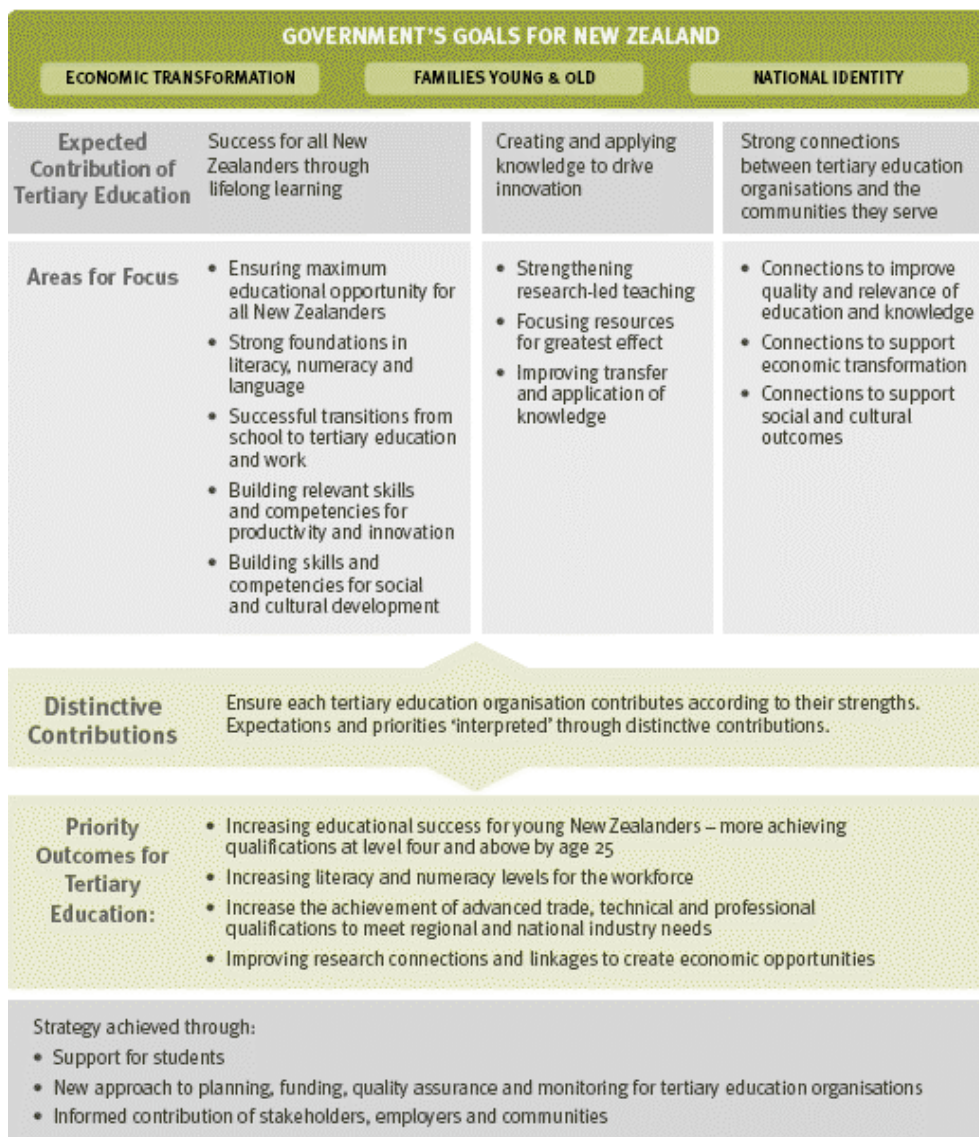
It began from the premise that New Zealand was becoming a knowledge society and tertiary education had to respond to the changing needs of New Zealanders.

It identified a range of policies, around issues like collaboration, funding, the role of research and the quality of teaching that needed to be introduced.

Of its recommendations the Tertiary Education Commission (TEC) is the most significant because it is driving the reason we are gathering today. The TEC is the kind of body that is either already present or is emerging in most similar jurisdictions. Australian universities have just suggested to the Federal Government that a Commission is required.

The TEC is necessitated by the shift to a more strategic approach. The market is a difficult mechanism with which to drive strategy. Giving the responsibility to Government, as it has been in places as dissimilar as Singapore and Wisconsin USA, tends to remove the autonomy of tertiary institutions. An independent, or intermediate, body provides Government with reassurance a strategy will be followed and tertiary institutions with a sense of independence.

The major tool the TEC has is funding. In return for our funding we are being asked to pay attention to a Tertiary Education Strategy and a Statement of Tertiary Education Priorities that list the following change messages:



These strategies contain nothing that any modern university would want to avoid. Nor is it a list that is all that different from what would find, say, in Britain.

I have moved quickly through the history of recent tertiary reforms because I simply wanted to capture the point that they have been about what Mark Moore calls public value. In response to the emerging knowledge society, the tertiary system has been changing. The desires and perceptions of society have been made more explicit. We have been asked to make a contribution to national goals. And we are being asked to report on how well we are doing.

As a result out behaviour has had to change.

### **Specific Leadership and Management Changes.**

The reorientation of the tertiary sector because of changes in what society understands it is for has ensured that there is something of a sea-change in the way institutions are managed.

Prior to taking up my position at Massey I decided to look at just how much change has been going on by visiting a range of universities (there are 132 in Britain inclusive of the former polytechnics and universities) and agencies in England. I chose England because it has a similar policy environment to New Zealand and our universities are largely modelled on the British experience.

The first point to make is that management was seen as of growing importance to the success of an institution. Of course success is largely down to the quality of teaching and research, but good management was seen as essential to providing the right environment.

In Britain, as in New Zealand, tertiary institutions are being asked to contribute to national goals. The newly formed Department of Innovation provides the broad policy framework. The Higher Education Funding Council provides the funding and asks for a corporate plan in return.

None of the universities or agencies I visited claimed that management processes were yet right but all said they were in the midst of major change.

The kinds of changes that stand out for me are:

- The role of a Vice-Chancellor is increasingly outward facing because of the need to represent the interests of the university to partners and stakeholders. Indeed, an inward facing VC was taken as a sign of failure to respond to the new environment.

- The emphasis placed on setting and communicating a clear strategic direction.
- An emphasis on developing clear indicators of what is seen to be success for the university.
- A businesslike approach to financial planning that includes the diversification of funding sources.
- Allocation of resources according to the strategic plan.
- Restructuring of the university to be more businesslike.
- Governance processes that assist in setting strategy and hold management to account.
- The taking on of a whole range of new functions – what is called the extended periphery - to cope with such activities as stakeholder engagement, commercialisation and research contracts.
- An emphasis on reporting to a variety of constituencies.
- Building reputation through branding, marketing, communications.
- The importance of maintaining and developing the estate.
- A more entrepreneurial culture.

***These changes can be detected in New Zealand universities. Let me check. Is that true? Are you seeing or have you seen changes of this nature?***

What we are seeing here is a shift in response to our changing environment that will continue. We are too important to our society to be left alone so the pressure to demonstrate public value will continue. We will need to get better at it.

### **Anything Else?**

There are concerns that needed to be identified here. Public policy that demands tertiary institutions contribute to national goals is here to stay. But there are risks in this approach to the autonomy of the institutions.

There is only one way to prevent this and it is to generate income. I mentioned earlier that all universities I visited are seeking to diversify their income base. This is not easy to do and usually relies heavily on seeking to create sizable endowment funds. Easy or not, it is essential if the institution is to avoid simply being told what to do.

It would be an unfortunate outcome of the tertiary reforms if the autonomy of institutions is lost because innovation would be lost as well.

## **Conclusions**

I said at the outset that I am comfortable on this side of the fence. I think the changes that have taken place are in the right direction.

In the context of the 21st century it is important that tertiary institutions think about and create public value. It is vital that we change in ways that allow us to tell our story of public value to the large number of people who have a say in what we do.

That is why we need clear investment strategies that will ensure we deliver on our strategy. Our strategy should say what we intend to do and we need to ensure we are resource led and that we allocate resources against our strategy.

These decisions need to be backed by evidence and sound decision making.

I see no reason to argue with this but it does represent a massive change from the last century. We, as leaders and managers, must show what needs to be done and why.

This is a knowledge society and we are the engines of change.

All the best with your work.

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## Public Value : Mark H. Moore

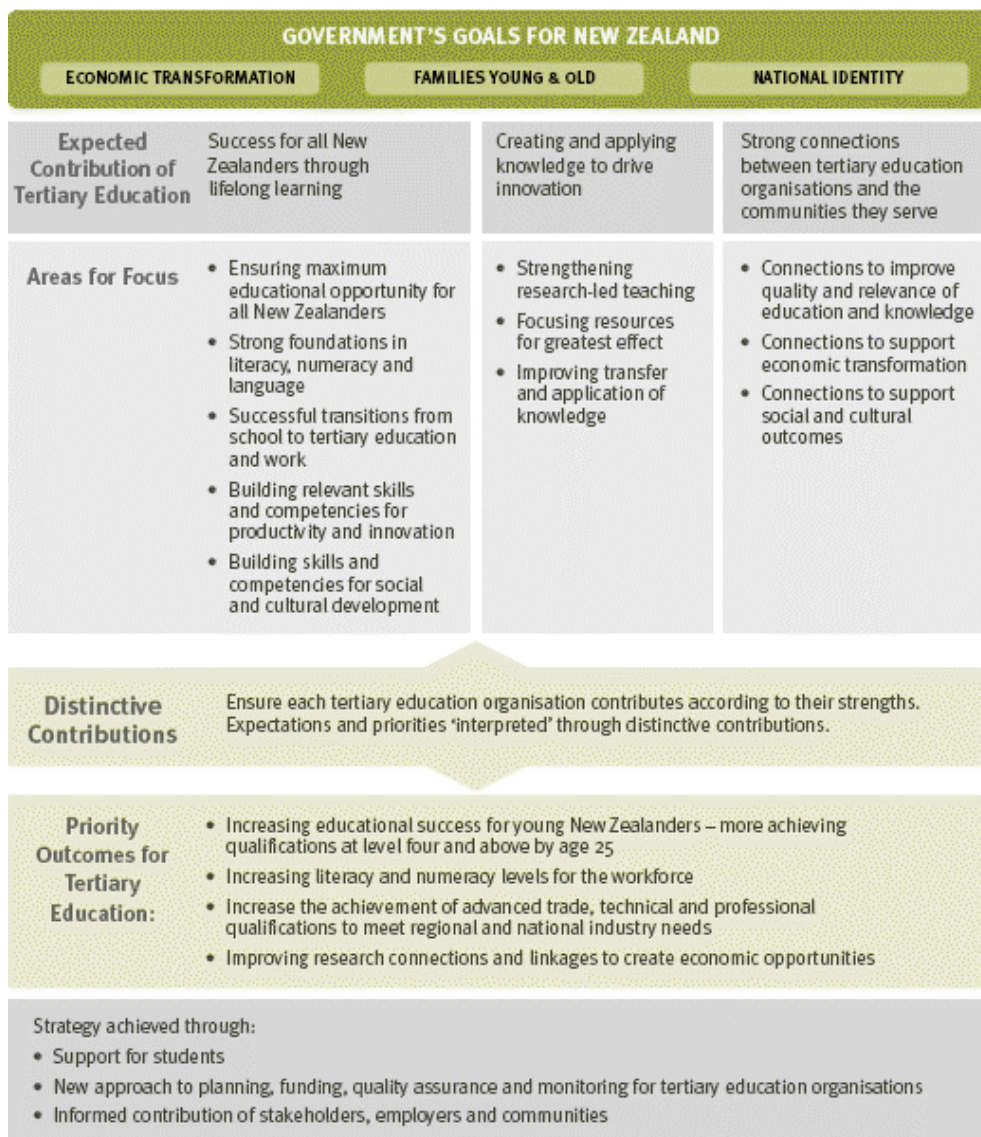
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*What is the essential difference between private and public value?  
Answer – who gets to judge the value.*

*Thinking of your institution – what public value do you create?*

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## Changes

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