

31 July 2008

Secretariat
Review of Australian Higher Education
GPO Box 9880
Canberra ACT 2601

Dear Professor Bradley

ANZAM is the primary professional body for management educators, researchers and practitioners in Australia and New Zealand, with more than 600 individual members and 50 institutional members (representing most Australian and New Zealand universities) as well as members from other countries. As a multi-disciplinary academy, ANZAM's aim is to advance scholarship and practice in management education and research.

Please find attached ANZAM's submission to the Review of Australian Higher Education, addressing the questions relevant to management education in Australia.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Sheridan', written in a cursive style.

Professor Alison Sheridan
ANZAM President 2008

SUMMISSION BY THE AUSTRALIAN AND NEW ZEALAND ACADEMY OF MANAGEMENT (ANZAM) TO THE COMMONWEALTH GOVERNMENT REVIEW OF HIGHER EDUCATION

1. Introduction

ANZAM is the primary professional body for management educators, researchers and practitioners in Australia and New Zealand, with more than 500 individual members and 50 institutional members (representing most Australian and New Zealand universities) as well as members from other countries. ANZAM also maintains links with relevant international academies such as the American Academy of Management (AOM) and the British Academy of Management (BAM), and is a member of the International Federation of the Scholarly Associations of Management (IFSAM).

As a multi-disciplinary academy, ANZAM's aim is to advance scholarship and practice in management education and research. As such it has a vital interest in many of the issues raised in the Discussion Paper. Accordingly, this submission addresses those questions which are most closely aligned with the interests of the organisation and its members., attending to a subset of the questions where we are able to present a generally representative view of members with respect to key issues relating to management education in the higher education sector. Individual Institutional Members will have made submissions representing their specific perspectives on the broad range of questions for discussion detailed in Appendix B.

In preparing this submission ANZAM is conscious that the Discussion Paper demonstrates an awareness of the significance of business education to the higher education sector in terms of teaching and research, domestic and international student numbers and the growth and size in fee based revenues. Before addressing the specific questions we necessarily provide some commentary on the current state of management education in Australia as this provides the context for our responses to the questions posed in the Discussion Paper.

2. Management Education in Australia

In 1995, the Karpin Report (Karpin, 1995) confirmed the critical impact that the abilities of Australian managers had on a company's performance. It also confirmed the importance of ongoing education and training to develop effective performance; placing emphasis on

the interpersonal skills required for managers such as communication, negotiation and mediation, conflict resolution, creativity and the ability to manage change. The Karpin Report demonstrated that Australian businesses needed to do more to develop and prepare its leadership talent, and that management education within universities had an important role to play in this regard.

Following the release of the Karpin Report there was considerable public debate about the importance of investing in management education in Australia. Since then, further research has reinforced the important role management education plays in innovation (for example, the Australian Institute of Management, 2003). As has been demonstrated in the Review of the National Innovation System, there are three facets to innovation:

The origination of new knowledge and ideas – knowledge production.

The deployment of ideas within a real world context.

The diffusion of this applied knowledge and its adaptation in use – knowledge diffusion and absorption. (Cutler, 2008).

Universities play an important role in both knowledge production and knowledge diffusion and absorption, and this holds as true for innovation relating to business efficiency and effectiveness as for the process of taking scientific innovations to the point of production and sale. Management schools play a critical role in the production and diffusion of knowledge around enhancing organisational performance. Recognising the important nexus between research and teaching, management schools within universities are critical to the process of enhancing how business is done. Management academics contribute to research and teaching in a diverse range of areas. Much of what we deliver is intensely practical (eg project management) and much of it has a strong research base as will be evident from the burgeoning academic literature across the management disciplines. Management schools add value and make a distinctive contribution in teaching students to analyse and deal with new and ever changing situations and in their capacity to develop innovative solutions to problems.

As the Discussion Paper correctly notes, there has been a deterioration in student-staff ratios over the last decade as universities have experienced increased student enrolments at both undergraduate and graduate /postgraduate levels. Australian management schools have experienced tremendous pressure as they have bore the brunt of increased student/staff ratios at the same time as having placed a major emphasis on increasing the

research intensity of the management disciplines. While management scholars have risen admirably to the challenge as is evident by the published data on teaching and research quality, this is not sustainable, as we grapple with the impact of an aging staff profile.

Question 2: Are there impediments to the higher education sector being able to innovate in the development of courses and programs? What are these impediments and how could they be removed?

Through regular consultation with our Institutional Members, we know that a continuing problem experienced by all universities concerns attracting and retaining high quality staff. This was a key issue to emerge from the Australian Business Deans' Council Carrick Institute funded project 'Business as Usual' (Australian Business Deans Council, 2008) and is also recognised internationally (Association of Business Schools and Advanced Institute of Management Research, 2008). While staffing shortages are often framed as a problem concerning the accounting and legal disciplines, the issue is a major constraint facing Australian management schools, and impacts on their continuing ability to develop innovative programs relevant to the changing industry needs. Australia's international competitiveness depends on developing knowledge about management and making that knowledge widely available.

Management schools face many of the same problems that the organisations which we study face in retaining talent. Four key principles of talent management identified by Capelli (2008) are:

- a) developing existing staff as well as sourcing new staff ;
- b) adapting to the uncertainty in talent demand;
- c) improving the return on investment in developing employees; and
- d) preserving the investment by balancing employer- employee interests.

In terms of capacity building for staff, many universities have a) extensive training and development facilities; b) a Learning and Teaching sections directed to enhancing academics' capacity to initiate new teaching and learning initiatives; c) flexible workplace arrangements including in relation to leave and working hours; d) operational plans in

faculties to track staff progress: and e) committee structures to enable staff to develop skills during participation or leadership opportunities.

Some of the mechanisms that universities have designed to develop the intellectual capacity of their staff to meet future demands include:

- Revision of Academic Development Leave policies
- Performance management
- Staff PhD/Professional doctorates Completion Scholarships
- Return to Research Scholarships
- Short term study or research visits
- General staff – study bursaries
- Promoting Women Fellowships

The universities have carried the costs of these investments in developing the intellectual capacity and professional capabilities of their staff. In order to expand these initiatives as required by the task of increasing national competitiveness and to attract new staff, requires adequate financial support from government sources, as this is clearly a national priority. Funding constraints continue to limit the resources available to universities to address these issues thereby hampering efforts to improve Australia's competitiveness.

In particular, the 2007/2008 Budget decision which moved the business disciplines down to a lower level of Commonwealth support reflects poor planning at the macro level. In effect, universities received a reduction in Commonwealth funding for business programs of \$1,030 per full-time student per annum, which represented a decline of almost 40% (Australian Business Deans Council, 2007). At the same time as Australian business requires an increasing flow of business graduates, the funds available to support their development were severely cut. The Business band was the only one to suffer a reduction while many others were substantially increased. Such a decision has ramifications for the sustainability of innovative business and management education programs in Australia, as the funds available to attract and retain, and appropriately invest in professional development of the staff developing and delivering the programs, has been severely compromised. It must be redressed.

Another dimension to the reduced funding is the reduction in resources available to support truly innovative programs designed to create work-ready graduates. A common

cry from employers is that they need staff to 'hit the ground running' – with problem solving skills, good communication skills and the capacity to work effectively in teams. Such attributes cannot be developed through the traditional large class format with standard lecture delivery. Instead what is required is an interactive and technology rich mode of delivery – whether face to face or virtual – where students engage with real world problems.

Underlying both these issues is the wider issue of university funding. The decline in the share of Commonwealth Government funding over the last decade has meant that universities have placed increasing reliance on business faculties to fund other parts of the university mission. The lack of retained funds means that in most cases business faculties cannot invest in the necessary innovations in teaching or the associated research required to produce world best business education.

Recommendation: Commonwealth Government funding mechanisms for universities need to be revisited in order to sustain proper investment in staff but this alone may be insufficient. In the context of the proposal that universities be funded on the basis of compacts derived from their mission, the retention of funds for investment in business related teaching and research is an issue warranting consideration.

Question 19: By what mechanisms should research activities in Australian universities be supported?

As noted in the Review of the National Innovation System, knowledge creation is a critical facet of innovation. To this end, the funding of management research has been an ongoing concern for ANZAM and its members. The limited funds made available by the Australian Research Council (ARC) for management research over the past decade has had a profound impact on knowledge creation with respect to enhancing the capacity of business schools to contribute to the economy and society directly through research and indirectly through their contribution to education through the delivery of award and non-award programs.

In the UK, similar concerns about the limited funding of management research were addressed by the development of the Advanced Institute of Management (AIM) in 2002 in

order to increase the contribution for world class UK management research. AIM is funded jointly by the UK's Economic and Social Research Council and Engineering and Physical Sciences Research.

AIM researchers are all leaders in their fields drawn from a wide variety of universities in both the UK and overseas. AIM's research explores issues associated with four main themes: "Sustained Innovation, Promising Practices, Services and Productivity and Performance. This research is designed both to shed new light on challenges facing the UK and to inform practitioners and public policy debates." (accessed 4 July 2008)

As a result of the significant investment in AIM, it is now a leader in the field of management research, bringing academics together with business, public sector and policy thinkers in order to develop and deliver research of a world class standard which has an immediate and significant impact on management practice.

Recommendation: In addition to a reconsideration of university funding mechanisms consideration should be given to the AIM model as a means of stimulating research through engagement.

Question 29. To what extent are the current funding models adequate to secure the future of Australia's higher education sector? If there are better models, what are they?

The limited resources available to fund management research (as referred to in the comments on Q19) limits our capacity to contribute to new knowledge about management practice, and the reduction in Commonwealth funding for business programs (see the response in relation to Q2) limits our capacity to diffuse knowledge. While Australian management scholars have increased their research output and quality over the past decade, this has been achieved despite the limited availability of nationally competitive grant funds.

Consequently, the potential for Australia to lead the world in management practice, through the development of skilled practitioners informed by new knowledge and ideas, applying them in their workplaces and so enhancing the performance of our businesses, is greatly constrained. At the same time there is clear evidence that business education,

including management education, results in a considerable net economic benefit to the nation (Access Economics, 2005 #136). If Australia is to truly engage with an education revolution which recognises the importance of supporting innovative management education then we need to invest appropriately in the resources required to both create and diffuse knowledge.

Funding of business schools is the most market exposed component of the total funding mix with international students being the major sources of revenue at both undergraduate and postgraduate levels. This is a matter of major concern because, as observed in the Discussion Paper, Australia faces increasing competition within the region but also from North America and Europe. Within the region also, the growing competence and reputation of Chinese, Indian and Korean business schools suggests that over time fewer students will leave these countries to study abroad. There is a very real risk that over the next decade there will be a rapid decline in international student revenues while there is no expectation of an expansion in domestic demand as was observed in the Discussion Paper. Without the introduction of flexible funding formulae at the Government level which would allow for a smoothing of demand fluctuations, not only will business education be adversely affected but the overall mission of some universities would be compromised.

Recommendation: The continued development of high quality business education in the higher education sector necessitates a smoothing of revenue flows so that investments are not discouraged or compromised by short-term volatility in student demand.

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