

WHAT IS AN EFFECTIVE AND HIGH PERFORMING GOVERNING BODY IN UK HIGHER EDUCATION?

ALLAN SCHOFIELD

**Leadership
Foundation**
for Higher Education



"It must be accepted that power in the modern great corporation belongs to the management. The board of directors is an amiable entity, meeting with self-approval and fraternal respect but fully subordinate to the real power of the managers. The relationship somewhat resembles that of an honorary degree recipient to a member of a university faculty."

JOHN KENNETH GALBRAITH

THE ECONOMICS OF INNOCENT FRAUD, ALLEN LANE, 2004, PP 74

Acknowledgements

The Leadership Foundation and CUC are grateful to a number of people who provided information which led to this report. They include:

- The governing bodies of five HEIs who acted as case studies for data collection on effective governance.
- 27 governing bodies and their members who acted as the sample for a survey undertaken by the Office of Public Management
- The senior members of governing bodies who attended two regional consultative workshops on effective governance.
- The clerks/secretaries of governing bodies in some HEIs who made information available.
- The members of the Enhancing Good Governance Working Group which acted as a steering group for the study. The assistance of Professor Sir David Watson, David Llewellyn, and Eddie Newcomb is particularly acknowledged
- The four UK higher education funding bodies who provided financial support for the study.

Queries on this report should be addressed to Allan Schofield at allan.schofield@lfhe.ac.uk

ISBN 978-1-906627-12-6

First published in January 2009

© Leadership Foundation for Higher Education

Published by the Leadership Foundation
for Higher Education

Registered and operational address:
Leadership Foundation,
88 Kingsway, London WC2B 6AA, England

Tel: +44 (0) 20 7841 2814

Fax: +44 (0) 20 7681 6219

E-mail: info@lfhe.ac.uk

www.lfhe.ac.uk

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording or any information storage and retrieval system, without prior permission in writing from the copywrite owner.

Designed & produced by Abbey DPM

Printed in the United Kingdom

CONTENTS

1. EXECUTIVE SUMMARY AND INTRODUCTION	2	EXECUTIVE SUMMARY AND INTRODUCTION
2. THE CURRENT STATE OF UK HIGHER EDUCATION GOVERNANCE	6	THE CURRENT STATE OF UK HIGHER EDUCATION GOVERNANCE
<ul style="list-style-type: none"> • The background to governance in HEIs • An overview of current governance structures within HEIs • Evidence on the current health of governance in HEIs 		
3. CONCEPTUALISING EFFECTIVE GOVERNANCE: WHAT CAN HIGHER EDUCATION LEARN FROM OTHER SECTORS?	16	CONCEPTUALISING EFFECTIVE GOVERNANCE: WHAT CAN HIGHER EDUCATION LEARN FROM OTHER SECTORS?
<ul style="list-style-type: none"> • What makes a board ineffective? • Approaches to identifying effective board governance • Conclusions 		
4. WHAT IS AN EFFECTIVE AND HIGH PERFORMING GOVERNING BODY IN HIGHER EDUCATION?	27	WHAT IS AN EFFECTIVE AND HIGH PERFORMING GOVERNING BODY IN HIGHER EDUCATION?
<ul style="list-style-type: none"> • The enablers of effective governance • How to assess the enablers of effective governance • The outcomes of effective governance • How to assess the outcomes of effective governance 		
5. CONCLUSIONS, PRACTICAL IMPLICATIONS FOR GOVERNING BODIES, AND EMERGING CHALLENGES	46	CONCLUSIONS, PRACTICAL IMPLICATIONS FOR GOVERNING BODIES, AND EMERGING CHALLENGES
<ul style="list-style-type: none"> • Conclusions • Practical implications for governing bodies • Emerging challenges 		
APPENDIX A: OPM SURVEY DATA ON GOVERNING BODY EFFECTIVENESS	49	APPENDIX A
APPENDIX B: DEVELOPMENTS IN OTHER SECTORS: A SUMMARY LITERATURE REVIEW	95	APPENDIX B

EXECUTIVE SUMMARY AND INTRODUCTION

- 1.1 This report summarises a range of existing research and data sources in attempting to answer the question: 'what is an effective and high performing governing body in higher education?' The question is, of course, contentious, and Section 4 explores what the terms 'effective' and 'high performing' mean in the specific context of governing HEIs. The study is part of a number of activities overseen by the Enhancing Good Governance Steering Group, which asked Allan Schofield (as project manager) to prepare this review.
- 1.2 The report notes that higher education in the UK has actively enhanced its governance in the past decade, and is generally recognised to be well governed. Initiatives to support enhanced governance have included a number of activities of the Committee of University Chairs (CUC)¹, the establishment of the Leadership Foundation² and its subsequent work on governance, and the general encouragement of the UK funding bodies to enhance governance and accountability - including in England a substantial fund (the Leadership, Governance and Management Fund) operated by Hefce³ to support innovation within HEIs.
- 1.3 However, much of this work has been about identifying the responsibilities of governing bodies and identifying good practice in undertaking key activities. Less has been done on how boards can maximise their effectiveness in practice, add value to their institutions, and on how effective boards can be distinguished from less effective ones. Similarly, the four UK HE funding bodies have identified the increasing importance of governance but have no real way of identifying effectiveness in practice, beyond compliance with regulatory requirements and what is deemed acceptable practice in the sector.
- 1.4 Strongly related to the issue of effectiveness is the idea of what constitutes a 'high performing' governing body, and whether it is possible to demonstrate any correlation between such a board and the overall performance of an HEI. In the private sector, high performing companies increasingly require high performing boards, and it is difficult to conceive of a board being held to be effective where a company is performing less than satisfactorily. However, in higher education it has been perfectly possible to have the situation where corporate governance has had little relationship to the efficiency and effectiveness of teaching and research. In such circumstances the case for enhancing governance in higher education ideally needs to be made not only on the basis of public accountability, but also by demonstrating the 'added value' to institutional performance that effective governance can bring.
- 1.5 There is a significant literature on board performance in both the private and public sectors, however, until recently there has been less research in relation to governing body effectiveness in higher education, and where it exists it has not been brought together in a convenient way for governors and senior managers to explore. This report seeks to provide that information.

¹ See www.shef.ac.uk/cuc

² See www.lfhe.ac.uk/governance

³ See www.hefce.ac.uk/lgm/build/lgmfund/

- 1.6 Accordingly, although the appendices set out a wide range of data, the main part of this report is based upon a number of key existing sources. In particular:
- A study commissioned by CUC and the Leadership Foundation to provide data on governing body effectiveness in a sample of UK HEIs, which was undertaken by the Office of Public Management (OPM). This involved a survey of 27 sample HEIs and a more detailed review of governance in five case study universities. Their survey data is summarised in Section 2 and in Appendix A.
 - Research by David Llewellyn on the role of the secretary of governing bodies, funded by the Leadership Foundation⁴. Substantial parts of Llewellyn's work are included in this Report with his approval.
 - Various publications of the CUC⁵, including its Guide for governing body members and its Code of Governance, both produced in 2004 and influential in shaping subsequent interest in governance.
 - A selective literature review on effective governance in higher education (both in the UK and overseas), and in other sectors.
- 1.7 The Report is arranged so that readers may 'dip' into those sections which interest them most. Section 2 summarises research data (including that from OPM) on the current state of governance in HEIs, and is the foundation for everything which follows. Section 3 identifies what can be learnt from governance in other sectors, and also introduces some existing ways of conceptualising governance. Experienced governors might wish to omit this section. Section 4 presents an approach to identifying effective governance in HEIs, and determining how the added value of governing bodies can be assessed. Analysis of the OPM survey data and a literature review are provided in Appendices A and B for those readers who wish more information.

Conclusions

- 1.8 Overall the data cited in Section 2 generally appear to confirm the belief within the higher education sector that it is generally well governed. The Lambert Review whilst making some recommendations for change found examples of excellence; CUC data indicates general institutional implementation of its Code of Governance; the four main higher education funding bodies (whilst encouraging further enhancement in governance) find enough established good practice to pursue conversations about reducing the accountability burden because of general confidence in the sector; and the OPM survey finds substantial confidence in most aspects of governance from its data of both governors and members of senior management teams. Individually none of these indicators would be convincing, but taken together they suggest overall confidence in governance in HEIs.
- 1.9 Specific strengths in the HEIs surveyed included: the quality of external membership of the boards concerned; strong identification by board members with the HEI concerned and its best interests; the clarity and understanding of roles and responsibilities; the high level provision and support provided by many clerks/secretaries to governing bodies; the commitment (in the case study institutions) of heads of institutions to governance; and the support and interest in enhancing governance provided by the funding bodies.

⁴ Llewellyn D, (2009), The Role and Influence of the Secretary in UK Higher Education Governing Bodies, The Leadership Foundation, see www.lfhe.ac.uk/publications/research

⁵ Including: CUC, (2004), The Guide for Members of Governing Bodies of UK HEIs and an associated Code of Governance Practice; CHEMS Consulting, (2004) A Report on Good Practice in Six Areas of the Governance of HEIs, CUC; CUC, (2006), Monitoring Institutional Performance and the Use of Key Performance Indicators; and CUC, (2008), The Implementation of Key Performance Indicators - Case Study Experiences. All available from www.shef.ac.uk/cuc

- 1.10 The OPM data suggests the possibility of further enhancing governance in the sampled HEIs (and perhaps others) by: providing better comparative and benchmarked information for governing bodies on comparable organisations; paying more attention to value for money as a specific factor in ensuring financial health; enhancing communications and information flows between governing bodies and academic boards/senates on relevant academic matters and the student experience; enhancing communication about governance and the governing body both within and outside the institution; clarifying arrangements for undertaking and reporting the review of the head of institution and other senior managers; and - where relevant - reviewing whistleblowing processes. Alongside this data, work by Llewellyn¹⁰ identifies a cluster of HEIs with a less strong commitment to the role of the clerk/secretary (and therefore possibly to governance) than others.
- 1.11 However, although the data suggests the overall position is one of general strength in the processes of institutional governance, there is little systematic evidence of effectiveness as defined in Section 4 or of high performance in boards being documented. In some of the case study HEIs both governors and senior managers (including heads of institutions) made claims for their boards to be effective in terms of the value they added, but without a framework to identify and collect relevant data this view was generally anecdotal. One possible challenge for institutions is to validate such claims (perhaps using the approach outlined in Section 4) both to enhance their own practice, and also to enhance public and stakeholder confidence in governance. In Section 2 it is noted that links between changes in the nature of institutional governance in higher education and the enhancement of institutional performance are disputed, and demonstrating such a link might have substantial value.
- 1.12 Drawing on available research, Section 4 presents various factors which are likely to constitute effective and high performing governing bodies in HEIs. Many of the factors are not new and will be easily recognised by experienced members of governing bodies. However, what is new (as far as we can tell) is the way that these factors have been put together, in a framework that should enable HEIs to review the effectiveness of their own boards (see paragraph 4.64).
- 1.13 The factors listed and the framework which they constitute have a number of key features:
- They are not restricted to process issues concerning governance (as most approaches to reviewing governance are), but rather address both processes and outcomes.
 - The way the factors are presented is non-prescriptive and capable of being used by most HEI governing bodies irrespective of size, mission, or governance style. The only possible exceptions are those few institutions without significant external board membership.
 - If HEIs choose to do so, parts of the framework could be benchmarked in qualitative terms to enable confidential inter-institutional comparisons to be made.
 - The framework is not intended for audit or compliance purposes - indeed attempting to use it in this way might inhibit some of the benefits of institutional self-study that the approach potentially provides.

¹⁰ Llewellyn D, (2009) op cit

- 1.14 The basis of the analysis is distinguishing between two sets of factors which the Report describes as the enablers of effective governance, and the outcomes of effective governance. Each is described in Section 4, and enablers are broken down into key component elements. How much detail to provide is a matter of debate: if the two sets of factors and associated framework are to be used by HEIs to assess board effectiveness then simplicity in presentation is desirable. On the other hand, complex issues are involved, and over-simplification would make the framework less helpful than it might be. We will be interested to explore with HEIs whether the amount of detail and complexity provided in Section 4 is too little or too great.
- 1.15 It is hoped that this Report and the proposed framework for identifying effective and high performing governance in HEIs will be the subject of substantial debate, both at and after the Leadership Foundation and CUC 'Leadership Summit' on 12 February 2009. If the general approach of the framework is supported, further work will be required to produce a version which will have practical value for HEIs and which their governing bodies may wish to use.
- 1.16 As such, two very practical outcomes from the study are proposed for discussion:
- First, that working with a sample of volunteer governing bodies, an instrument is piloted to assist institutions in undertaking self-review of their effectiveness within the terms set out in the diagram in paragraph 4.64.
 - Second, again working with a sample of volunteer governing bodies, a collaborative benchmarking group is established using the instrument as finally developed.

2. THE CURRENT STATE OF UK HIGHER EDUCATION GOVERNANCE

- 2.1 As this report is written for members of governing bodies and senior managers, it does not dwell on historical or contextual issues that might be required for other readers. Nonetheless, a short overview is necessary to set the scene for subsequent analysis. A fuller account of the development of governance in UK HEIs can be found in the comprehensive account of Shattock⁷.

The background to governance in HEIs

- 2.2 The growth of higher education in the UK has led to complex governance arrangements within the sector, which makes any assessment of effectiveness and high performance challenging. Although multiple issues are involved in this complexity, perhaps the most important for this report are:
- **Autonomy.** HEIs are autonomous, and although receiving substantial public funding they are not accountable to government in the same way as public sector bodies. Their legal independence has meant that there is an explicit institutional responsibility to ensure that effective systems of governance and management are in place, and that public funds are being spent wisely. Along with this autonomy, there is a strong tradition of self-governance in many HEIs, partly reflecting the origins of universities as communities of self-governing scholars.
 - **Diversity.** The higher education sector is very diverse (in size, mission, institutional complexity etc). Therefore in relation to governance, beyond what might be seen as standard compliance with regulatory and good governance requirements, good practice might vary widely. One of the interesting questions that this raises (considered in Section 4) is: can the effectiveness of governance be conceptualised in a way that has meaning both for a small specialist HEI and for a large comprehensive research intensive university with aspirations to be 'world class' (whatever that may be taken to mean)?
 - **Legal Status.** Legal forms of governance in HEIs vary, but all are charities. Legally, governance is defined in pre-1992 universities by charters and statutes, and in post-1992 HEIs by instruments and articles of association (a few post-1992 HEIs are also companies limited by guarantee). Changing these foundation documents has been a challenge for HEIs (and therefore a potential constraint on the effectiveness of governance), but greater freedom in making such changes has now been agreed by the Privy Council. A useful summary of legal differences can be found in the CUC Guide⁸.
 - **Devolution.** Higher education is now devolved within the UK, and although to date changes in governance arrangements have been largely technical, greater diversity is likely in the future.
- 2.3 For almost all UK universities⁹ governance has traditionally been based on a model which distinguished 'academic' governance from 'corporate' governance. The former has typically been carried out through a senate or academic board consisting primarily of staff, thus ensuring that collegiality was generally maintained and that decisions on academic issues were taken by academic staff. On the other hand, corporate governance has usually been conducted by the governing body (or council - the terms vary, and in the USA the equivalent body would be the board of trustees) which has had explicit responsibility for all issues concerning resources and ensuring that the institution complies with its legal and regulatory duties.

⁷ Shattock M, (2006), *Managing Good Governance in Higher Education*, Open University Press, McGraw Hill Education, Berkshire

⁸ For a summary of the formal governance arrangements applying to UK HEIs see CUC, (2004), *op cit*

⁹ The Universities of Oxford and Cambridge have different approaches to governance, see Shattock M (2006) *op cit*

- 2.4 In practice, the boundaries between the academic and the corporate have frequently become blurred, particularly on issues concerning academic resources. The outcomes of the Jarrett Report in the mid-1980s encouraged a greater emphasis on the role of the governing body, and the position was extended in 1992 by legislation which required all universities created after this date to give explicit responsibility to their governing bodies for "determining the educational character" of the institution. Other changes introduced at the same time for these 'new' universities were smaller governing bodies (a maximum of 25) with a majority of external members, and a prohibition on internal staff and student members attending designated sub-committees (for example, those dealing with staffing policy where a conflict of interest might exist).
- 2.5 Interest in the corporate governance of HEIs has grown for a number of reasons, some of which are external to institutions. In the UK¹⁰ these include:
- An increase in the requirement for HEIs to demonstrate accountability and value for money for the use of substantial public funding.
 - Government expectation that HEIs (along with other public bodies) should strengthen corporate governance to match developments in the UK private sector.
 - The policy of the UK government that the public sector needs 'modernising', and that HEIs as publicly funded institutions cannot stand aside from this.
 - The growth of competitive pressures on HEIs both national and global, including in England and Northern Ireland the implications of the introduction of student fees in 2006-7. In a very real sense UK HEIs now compete for students, research income, and other funding, and ensuring institutional reputation is an increasingly important corporate concern in order to maintain a prominent position in the higher education market place.
 - The managerialisation of higher education whereby good governance and management is seen as a positive virtue - although the argument remains contested by some.

An overview of current governance structures within HEIs

- 2.6 Because of the diversity of the sector, short generalisations about existing governance structure are difficult, but structures typically tend to consist of:
- A governing body (or council) consisting of between 17 and 25 members of whom a majority are external or 'lay', recruited from whatever sources the institution wishes. This has overall "unambiguous responsibility" (CUC Guide) for all institutional affairs, and the chair is always an external member. There is a sub-committee system (at a minimum remuneration, audit, and nominations, but sometimes extensive). All external members act in a voluntary capacity and are not paid.
 - An academic board or senate which has responsibilities (varying depending upon institutions) for the core institutional activities of teaching and research. All members are internal and are generally a combination of those holding defined positions (eg deans of faculty) and elected members.
 - An executive (headed by the vice-chancellor or principal as CEO and head of institution) responsible for the management of the HEI. The vice-chancellor or principal usually chairs the academic board/senate and is almost always a member of the governing body. In almost all cases other senior members of the executive (eg deputy vice-chancellor, finance director, etc) are not members of the governing body (although at least one institution has just made them so).
 - A registrar/secretary/clerk (the terminology varies) supplying the company secretary role.

¹⁰ In the UK, higher education is now largely a matter for the four devolved jurisdictions of England, Scotland, Wales and Northern Ireland. Although general trends apply to all four jurisdictions, specific policy varies; for example there are now variations in the financial memorandums to define the financial responsibilities of governing bodies in the different jurisdictions

- 2.7 However, these traditional structures are now undergoing change, and developments include: a move towards smaller governing bodies, with a reduction in the number of sub-committees and an increasing proportion in many HEIs of lay members; a greater attention to managing risk and ensuring financial health as HEIs move away from dependence on state funding; and greater attention on issues associated with "educational character".
- 2.8 Whilst generally adopted by HEIs throughout the higher education sector, such changes have their critics. For example, whilst recognising the need for enhancements to traditional systems of governance, Bassnett¹¹ (writing from a pro-vice chancellor perspective) laments the decline of aspects of collegiality in governance arrangements in the face of an increasingly corporate model, and calls for a "balance to be found to accommodate a more professional system of governance with the needs of the people without whom a university would cease to exist - the academics". Similarly, Shattock¹² raises a number of concerns about the appropriateness of increasingly corporate approaches to governance in HEIs, including identifying that most of the historic problems of poor institutional governance in the sector (relatively small in number) have come to light because of action by internal (staff) governors rather than external (lay) members who often remained largely unaware of the problem concerned. Finally, Bennett¹³ in reviewing post-1992 HEIs argues that although the efficiency of governance may have increased there is no evidence of increased institutional effectiveness. The notion of governing body effectiveness therefore remains contested in several ways within higher education, particularly in relation to who should be involved, and how a governing body should be constituted.
- 2.9 What is evident even from this very brief description is that whilst governing bodies of UK HEIs have a number of similarities with boards in other sectors, they are also unique in operation. Parallels with and differences from other some sectors include:
- Although higher education governing bodies are very different in some aspects from private sector boards (for example, the absence of responsibilities to shareholders), there are also numerous similarities, and in some areas (for example board responsibilities for commercial activities) the parallels are strong. In particular, Watson¹⁴ has suggested that some HEIs demonstrate public-private hybrid models of governance found in companies such as BAE Systems (a private company with a majority of public contracts).
 - There are interesting similarities between university governance structures and some of those in partnerships, for example, the collegial nature of aspects of higher education governance is very similar in many respects to that in some partnership and cooperative models (see Section 3 and Appendix B).
 - There are also some similarities to (and differences from) the NHS, in particular in relation to academic or clinical governance issues and how these are dealt with. Certainly, HEI governing bodies are often ill at ease in discharging their responsibility for the 'core business' of teaching and research, and in practice they may have relatively little understanding of what this involves in practice.
 - There are also some parallels with governance in the voluntary and charity sector, in particular the need for boards to ensure that organisations are highly efficient in terms of some key business processes (for example fund raising) whilst not, of course, being businesses as such.

It is this hybridity of different aspects of governance that - arguably - makes higher education unique, and is therefore a challenge to defining effectiveness and high performance.

¹¹ Bassnett S, (2007), Anger and Outrage at the Corporate Model, *The Independent*, 26 January 2007, at <http://education.independent.co.uk/higher/article2181869.ece>

¹² Shattock M, (2006), *op cit*

¹³ Bennett B, (2002), *The New Style Boards of Governors - Are They Working?*, *Higher Education Quarterly*, Vol 56, No 3

¹⁴ Watson D, (2008), *Business or Business-like? Some Thoughts on Cultural Convergence*, in *CIHE, Leadership in an Age of Supercomplexity*, Council for Industry and Higher Education at www.cihe.org.com

Evidence on the current health of governance in HEIs

- 2.10 There are a number of existing data sources which when combined suggest that the current health of governance within HEIs is generally sound, and these sources include: data from the CUC; the outcome of the Lambert Review; and the work of the four UK funding bodies. Data obtained by the Office of Public Management (OPM) for this study provides substantial additional new information and is also summarised.
- 2.11 Perhaps the most obvious starting point is to recognise the ways that the sector has responded to various national developments in governance, and the influence that this has had on practice within HEIs. This is charted in Figure 1 on the following page¹⁵, and it is immediately clear that substantial guidance has become available to HEIs. The individual measures recorded in Figure 1 are too extensive to document here, but of particular note is the 2004 'Guide for Members of Higher Education Governing Bodies in the UK'¹⁶ which defined what it saw as core good practice in a number of important areas of governance.
- 2.13 The Guide also contained a voluntary Governance Code of Practice based on the central notion that the governing body has unambiguous responsibility for the institution, and this has subsequently been adopted by all the key stakeholder bodies as the basis on which the adequacy of governance should be assessed. Institutional compliance with the Code is advised but not required, however institutions choosing not to adopt elements of it must explain why not and what alternative approaches are used. This 'comply or explain' approach is, of course, now widely used in governance in the UK across all sectors, as a way of encouraging the adoption of good practice whilst providing some flexibility in what is appropriate for particular institutional settings.
- 2.14 The production of the CUC Code was - at least in part - a response to the Lambert Review¹⁷ of university/business collaboration and governance issues commissioned by the Treasury. This report noted that many universities had strengthened their systems of governance, and that some "excellent examples" were in place. Nonetheless it noted the need for further changes, and proposed that there should be a greater distinction between management and governance in higher education institutions, less reliance on committees for decision making, and a voluntary code to help improve the effectiveness of governance, based on the corporate sector's 'comply or explain' approach. Shattock¹⁸ reported that Dearing had, in 1997, suggested that a code of governance should be introduced but had not included the proposal in his list of recommendations. The Lambert Review also noted that whilst a governance code provides a basis for institutional governance, compliance with it is not an overall measure of the effectiveness of governance. This issue is pursued in Section 4.
- 2.15 The CUC has sought to explore the adoption of the Code by HEIs in two ways. A survey undertaken in 2006¹⁹ indicated substantial activity including that:
- 67% of HEIs had adopted the CUC Code and a further 17% had done so with amendments.
 - 73% of governing bodies had adopted a statement of primary responsibilities and a further 18% had one in preparation.
 - 91% of all governing bodies had carried out an effectiveness review, and 75% had carried out at least two since 1997.

Subsequently a further internal survey undertaken by CUC in 2008 confirmed the earlier data, with a number of HEIs endorsing the Guide and Code warmly, and over 90% reporting few issues in its adoption. However, a small number had made minor variations to the Code, for example, to reflect their religious foundation. Reservations about specific aspects of the Code were also expressed by a small number of individual HEIs within the comply or explain framework.

¹⁵ Llewellyn D, (2009), op cit

¹⁶ CUC, (2004), op cit

¹⁷ Lambert R, (2003), Lambert Review of Business-University Collaboration: Final Report. HM Treasury. London, HMSO: 133

¹⁸ Shattock M, (2004), "The Lambert Code: Can We Define Best Practice?" Higher Education Quarterly 58(4)

¹⁹ CUC, Governance Questionnaire, January 2006, see www.shef.ac.uk/cuc

FIGURE 1

RECENT CHRONOLOGY OF SYSTEM WIDE MEASURES TO ENHANCE THE GOVERNANCE OF UK HEIs (BASED ON LLEWELLYN, 2006 OP CIT)

FIGURE 2

MAJOR DEVELOPMENTS IN UK COMPANY, PUBLIC SECTOR AND HIGHER EDUCATION GOVERNANCE GUIDANCE FROM 1992 TO 2008

	1992	1993	1994	1995	1996	1997	1998	1999
HIGHER EDUCATION				SHEFC Guidance for Governors 1		HEFCW Guidance		
							SHEFC Guidance for Governors 2	
			Nolan 1	CUC Guide Ver: 1	Nolan 2	Nolan 4 Dearing Report	CUC Guide Ver: 2	CUC Board Guidance
COMPANY/PUBLIC/THIRD SECTORS	Cadbury Report			Greenbury Report			Hampel Report	Turnbull Report
							Combined Code	
			Committee Public Accounts Report					

- CUC Committee of University Chairs
- FRC Financial Reporting Council
- HEFCE The Higher Education Funding Council for England
- HEFCW The Higher Education Funding Council for Wales
- ICGGPS Independent Commission on Good Governance in Public Services
- LFHE The Leadership Foundation for Higher Education
- NCVO The National Council for Voluntary Organisations
- OECD Organisation for Economic and Cooperation and Development
- SHEFC The Scottish Higher Education Funding Council (Now SFC - The Scottish Funding Council)
- SCOP The Standing Conference of Principals (now Guild HE)

FIGURE 2 (CONTINUED)

MAJOR DEVELOPMENTS IN UK COMPANY, PUBLIC SECTOR AND HIGHER EDUCATION GOVERNANCE GUIDANCE FROM 1992 TO 2008								
2000	2001	2002	2003	2004	2005	2006	2007	2008
	Model Corporate Governance Format, SCOP Network	HEFCE Audit Code	HEFCE 'Risk' in Accounts Direction	HEFCE Audit Code 2	HEFCE Risk Mgt Guide	HEFCE Accountability Framework		HEFCE Single Conversation
SHEFC Guidance for Governors 3					Institutional Sustainability Framework		SFC Governance & Management Matters	SFC Governance Guidance Benchmarking
CUC Efficiency Reviews	CUC Guide Ver: 3		Lambert Report	CUC Guide Ver: 4	Leadership Foundation Governor Development Programme	CUC KPI Guide	CUC Audit Guidance	CUC KPIs Update
			Higgs Report	OPM Study on Public Sector	ICGGPS Report		FRC Review of Combined Code	
			Smith Report		NCVO Report			
			Tyson Report					
			Audit Commission		Revised Turnbull Guidance	Combined Code 2006 Edition		Combined Code 2008 Edition
			EC Action Plan	OECD Principles				

- 2.16 The work of the four UK higher education funding bodies also provides some assurance about the standards of institutional governance. All expect HEIs within their jurisdictions to meet defined standards in relation to governance, audit, risk, and associated issues, and although the results of the various review processes are not made public, there is enough confidence in current governance arrangements for all the funding bodies to be taking steps to reduce the accountability burden on institutions. For example, in introducing the idea of a 'single conversation' Hefce²⁰ is explicit that their aim "has been to reduce the burden of regulation on institutions by placing greater reliance on their own systems of management and governance", and whilst noting that governance needs to be enhanced still further, the existence of generally sound systems of governance has been a precondition for the adoption of the 'single conversation' approach.
- 2.17 It was in this context that the Leadership Foundation and CUC commissioned the OPM to collect data on the current state of governance in HEIs, including undertaking a survey of a sample of HEIs and conducting a small number of case studies.
- 2.18 The survey was based on an adapted version of one used by the Audit Commission, which was derived from the 'Good Governance Standard' developed by the Independent Commission for Good Governance in Public Services²¹. The Standard, and the survey, was divided into six main sections concerning the role and performance of the governing body:
- Institutional purpose, mission and strategic outcomes for key stakeholders.
 - Effective performance in clearly defined functions and roles.
 - Promoting institutional values and demonstrating good governance.
 - Taking informed, transparent decisions and managing risk.
 - Developing the capacity and capability of the governing body.
 - Engaging students, staff and other stakeholders, partnership working, and making accountability real.
- 2.19 Twenty seven HEIs participated in the survey (approximately 15% of the total), and were selected to meet a number of criteria: a mix of institutional type and size; geographical location; mission; and - crucially - willingness to participate. The latter was important in that participation involved governors and members of SMT being willing to complete a lengthy online survey, and therefore the participation of each institution had to be agreed by the chair of the governing body and mediated through the clerk or secretary. From an institutional perspective there was a substantial benefit of involvement in that each HEI received responses to the survey from its own governors and SMT members, thus enabling it to compare responses from these two groups and explore the issues arising. It could also compare their overall institutional responses with aggregated data for all HEIs. This potential for benchmarking means that the raw data resulting from the survey is only a starting point which should prompt further discussion by individual institutions.
- 2.20 As the institutions surveyed were not a random sample, it follows that the results should not be regarded as representative of the sector as whole, but rather of a substantial sample of HEIs who regard effective governance as important enough for them to devote substantial resources in governor and management time to participate. Nonetheless, there is reason to believe that the outcomes broadly correspond to the position in most HEIs. In total 495 respondents completed the two surveys - 294 governors (approximately 45% of the total governor group) and 131 members of senior management teams (55% of the total SMT sample).

²⁰ Hefce, (2007), *Accountability for Higher Education Institutions*, Hefce 2007/11, at www.hefce.ac.uk/pubs

²¹ OPM, (2005), *Langlands Commission, The Good Governance Standard in Public Services*, at www.opm.co.uk

2.21 Appendix A reports particular strengths in the views of respondents in the following areas:

- Overwhelmingly governors report being clear about their roles and responsibilities (and members of the senior management team concur), including those for approving strategy. OPM conclude that this clarity reflects well on the higher education sector when compared with data from local authorities. However, only approximately 75% of governors and senior managers were confident that their institution was achieving agreed strategic outcomes, although these results do not differ significantly from OPM data for local authorities and health services. This raises an important issue (addressed in Section 4) that defining the effectiveness of governance in terms of outcomes may lead to different conclusions from seeing it only in input or process terms.
- Robust and timely information is a prerequisite for effective governance, and overall survey responses rate the provision of board information favourably, for example 84% of governors and 88% of senior managers 'usually' or 'always' reported that they received essential information to monitor performance.
- Working relationships between governors and senior managers in the survey are overwhelmingly characterised as being constructive.
- The survey sought information about how far good governance values are promoted, enacted and understood by the governing body, and from the data OPM conclude that the results suggest overall clarity about the values of the institutions concerned, and the contribution the governing board makes to these values. Overwhelmingly both governors and senior managers report that the governing body 'always' or 'usually' reinforced the academic values of their institution, a particularly significant outcome when considering the potential tensions between corporate governance and academic values. However, the need for more effective consultation with the academic board or senate is also noted.
- Governors and senior managers also expressed confidence in the effectiveness of audit processes, with almost all reporting that 'there are effective arrangements, including audit, to oversee financial processes' and to challenge key issues. Most respondents reported that the approach to risk management was also generally effective with only a small number dissenting.
- So far as governing body membership issues are concerned, overall, governors and senior managers were broadly content that governing bodies are developing the capabilities to be effective. The majority felt that governors possess the required skills, and that HEIs provide support to members in improving their performance in a way which helps them assist the institution in achieving strategic outcomes. There were more mixed responses about accessibility to becoming a governor, and how effectively performance reviews are undertaken of governors and the governing body. Perhaps the most significant future challenge relates to ensuring diversity in the recruitment of appropriately qualified new governors, an issue addressed generally in the Tyson Report²² and which is now being considered for higher education in a separate study being undertaken for the Equality Challenge Unit²³.
- The survey asked about the outward facing role of the governing body, as any assessment of board effectiveness has to take account of the impact of decisions on a broader group of stakeholders including staff, students and the local community. Overall, respondents were clear who institutions 'are accountable to and in what ways,' an interesting result in that at least anecdotally governors sometimes observe that primary accountability is not clear to them.
- Finally, the survey sought information on consultation arrangements with staff and students, and there is overwhelming mutual agreement amongst governors and senior managers that effective arrangements exist to consult students. The survey results do not separate the opinions of student governors from others, so it is not clear whether student governors agree

²² Tyson L, (2003), The Tyson Report on the Recruitment and Development of Non-Executive Directors, A Report Commissioned by the DTI, London Business School

²³ See www.ecu.ac.uk

or disagree with this statement. In relation to consultation with staff, approximately three quarters of governors and senior managers reported that arrangements were effective. However, there also appear to be some mixed perceptions about how far staff and student consultation actually feeds into policy and practice: with a quarter of governors answering 'sometimes', 'rarely', 'not at all' or 'don't know' when asked whether staff and student consultation informs policy and practice.

- 2.22 These findings confirm the general health of much current higher education governance, and enable OPM to conclude that the results broadly suggest that the quality of governance within the higher education sector compares favourably with that in local government and the health sectors (who have also used a version of the same survey), and strengthen the argument that the sector is internally perceived to be well governed. This is at least in part due to the generally robust administrative arrangements in place to support governing bodies, which are - arguably - more developed in higher education than other publicly funded sectors. Shattock²⁴ describes the growth of such approaches and the role played by the clerk/secretary to the governing body, and more recently Llewellyn²⁵ has undertaken a study confirming the importance to effective governance of the triadic relationship between the governing body chair, head of institution, and clerk/secretary to the governing body.
- 2.23 However, the OPM survey also highlights a number of areas which may require the attention of participating HEIs, and perhaps the sector as a whole. These include:
- Although the general provision of information to governing bodies was praised, just under half of governors responded that they did not consistently receive useful information to benchmark institutional performance against other HEIs. Although a report by CHEMS²⁶ for CUC has identified that a number of HEIs provide such information (particularly in relation to peer institutions), the practice is either not as widespread as may be ideal, or existing comparative data may not be widely known (for example estates management statistics).
 - A second possible concern arising from the survey is the possible need to improve information to enhance value for money (VfM), with just under a third of governors and senior managers only 'sometimes', or 'rarely' using information for VfM purposes. OPM suggest that an obvious conclusion is that governing bodies may need to pay more attention to monitoring VfM, if they are to achieve overall effectiveness. Whilst this may be true there are also other possibilities, for example that the work of the audit committee (which has major VfM responsibilities) is not well enough known to all board members. However, OPM note that the higher education sector appears to outperform the health and local government sectors in terms of using management information to improve VfM, with 49% of local authority members²⁷ and 59% of NHS non-executive directors responding to their surveys in the same way²⁸.
 - The survey sought responses on the extent to which a constructive working relationship existed between the governing body and the academic board or senate. Just under half of governors and just over a third of senior managers reported that they 'don't know', or that there were 'not at all' or 'rarely' or only 'sometimes' constructive working relationships between the two bodies. There are, in practice, very different forms of relationship between these two bodies, ranging on the one hand from joint membership in some HEIs and the existence of joint committees, through to almost no contact in other HEIs whereby not even minutes of the academic board/senate may go to the governing body. OPM suggest that this is an area requiring

²⁶ CHEMS Consulting, (2004), op cit

²⁷ Audit Commission, op cit

²⁸ Audit Commission, op cit

attention, and it would certainly appear difficult for HEIs to undertake effectively their responsibility for determining educational character (whether formally defined or not) in such circumstances.

- Relationships with the academic board/senate may be one element of a broader issue concerning the need for enhanced internal communication about governance, in that the survey data suggests that a similar proportion of governors and senior managers appear to be uncertain whether staff in their institutions know what the governing body is responsible for. Two contradictory conclusions can be drawn from this data: that such perceived lack of awareness about the role of the board is indicative of poor communication which needs to be addressed, or that in reality most staff are unlikely to be interested in the work of the governing body. Clearly underpinning these comments are numerous issues about how governing body discussions and papers are made available (or not) within the institution as a whole.
- Although working relationships between the governing body and senior managers appear good, there is one element that may need to be addressed in participating institutions: the requirement of governing bodies to review the performance of the vice-chancellor as head of institution. This is usually undertaken by the remuneration committee, and practice varies on whether the outcome is reported to the governing body or not. It is, perhaps, surprising that a third of governors were consistently unaware that a regular performance review of the head of institution was conducted. This contrasts sharply with the surveyed perceptions of senior managers, and does, perhaps, suggest that some HEIs may need to be more transparent in informing governors about the arrangements for senior managers' review.
- Finally, the survey data suggests that individual HEIs might usefully review their own processes concerning 'whistleblowing' to ensure fitness for purpose. Just over one third of governors said they 'didn't know' whether their institution's whistleblowing policy was effective at bringing out issues of concern, and OPM contrasts this with the NHS, where only 15% of NHS non-executive directors are in this position²⁹. The reasons for this result are not clear, for example it may be that the relatively collegial nature of much decision making means that whistleblowing is not quite as significant an issue for HEIs as it is in some other organisations.

2.24 The nature of the survey means that these challenges to effective governance may not apply to all institutions in the sample, still less to all HEIs nationally, and it is up to each institution to examine its own data and draw appropriate conclusions. However, to the informed observer of higher education governance, few of these issues will come as a surprise, and therefore the concerns may have resonance beyond the survey cohort.

2.25 A particular issue concerning overall conclusions about effective governance may concern small higher education colleges. For example, there are some important differences in small specialist institutions in relation to the governance and management continuum. Governors in small institutions are often drawn from the specialist areas represented by the institution (for example, music or drama), and in such cases there are members of the governing body with as much knowledge and experience as the academics involved in the field. Frequently, such members are turned to for advice and guidance in a way which would be unusual in larger institutions.

²⁹ Audit Commission, op cit

3. CONCEPTUALISING EFFECTIVE GOVERNANCE: WHAT CAN HIGHER EDUCATION LEARN FROM OTHER SECTORS?

- 3.1 In this section some ways of defining and thinking about effective governance are summarised, and evidence introduced from some of the research literature from other sectors. The idea is not to provide an academic text on governance, but rather to identify useful ideas and concepts that can be applied to governance in HEIs. When combined with existing information from the CUC and the Leadership Foundation as well as the findings from the OPM survey and case studies, these ideas are then taken forward in a practical way in Section 4 to provide a basis for an approach to defining effective governance specifically in HEIs. The information about relevant practice in other sectors is taken from Appendix B, where it is reported in more detail.
- 3.2 In reviewing the effectiveness of governance it would be easy to adopt a 'tick box' approach to comply with the requirements of the relevant governance code (whether produced by CUC or others), but would that mean that a governing body was effective, still less performing to a high level? And what does effectiveness look and feel like anyway? Unfortunately there are no straightforward answers, but there is a wealth of material on the subject, a little of which is reviewed in this section.
- 3.3 There are several introductory issues to note. The first is that the concept of 'effectiveness' in governance is situation and time bound. In other words, the context of the institution, the membership of the board, the business it is considering, relationships with the executive, and many other factors, all have a role to play. It is therefore important for members of a governing body, and those working with them, to think about what effectiveness means to them. It can also be helpful to discuss the concept within boards in order to reach some broad agreement before trying to measure effectiveness using governing body member surveys or some other means.
- 3.4 Second, in complex organisational environments, aspects of people, politics and power cannot be ignored in thinking about governance, because they are fundamental to the way in which a board operates as a group to make decisions. And, because decision making is the *raison d'être* of a board and its most important 'output', it is important to consider how decisions have been reached so that they are taken in the best interests of the institution.
- 3.5 Third, although the satisfaction of governing body members is a useful indicator of aspects of effectiveness it may say little about overall corporate achievements. It follows that effectiveness reviews of governance need to be based on a broader evidence base than just the views and satisfaction of members. Indeed, it is perfectly possible to have satisfied members of a failing board.
- 3.6 Finally, it is important not just to think about effectiveness in terms of what 'what boards do' but also 'how boards work'. However, most of the literature on board effectiveness concentrates on the former, often with extensive discussion of the governance processes that need to be in place. Important as such processes are, there also needs to be attention paid to the ways in which board members relate to each other as the basis for considering their effectiveness. Such relationships also include the need for boards to engender trust in modern institutions (which has been a driver for the development of codes of governance practice), and in some cases the issue of trust has been prompted by concerns around the practice of governing rather than the accountability requirements of governance.

3.7 Although there is a substantial literature on board effectiveness, two related concepts have received less attention: the value added that effective boards achieve for their institutions, and what constitutes a high performing board - and how both can be measured. Defining and measuring the 'added value' of a board is a challenge for any organisation, particularly in the public and not-for-profit sectors. Although in the private sector optimising shareholder value is a key indicator which makes measurement possible, demonstrating causality between board decision making and asset value may be difficult. Indeed Cadbury³⁰ has concluded that the relationship between corporate governance and performance "is not readily susceptible to research because of the complexity of the relationship and because measurable aspects of governance are of limited relevance". Nonetheless, in a recent study of board effectiveness, the Association of British Insurers (ABI)³¹ concludes that they find "robust links between the quality of a company's governance system and its long term operating and stock market performance" (see Appendix B).

3.8 In the public and not-for-profit sector it is unlikely that there will be any single indicator of potential added value brought about by effective governance, but a little research work has been attempted. For example in the health sector, Bader³² identifies four tangible ways that governing bodies in these sectors can add value:

- Better high level decisions - effective boards are a forum where committed and knowledgeable members or trustees raise hard questions about proposed strategic business and financial transactions. Sounder decisions result, not because board members are "smarter" than management, but because of the deliberative process itself.
- Better organisational performance - effective boards improve performance by setting ambitious but realistic goals and monitoring performance. Effective boards question, learn, and challenge the organisation to excel continually.
- Critical connections - effective boards review how well activities and priorities reflect the needs of key constituents and service users.
- Mission and values consciousness - effective boards ensure that the mission and values are expressed and advanced in an organisation's work.

Research on university boards in the US suggests that similar criteria can be applied to higher education, and this is discussed in paragraphs 3.33 onwards.

3.9 There has been less work on what constitutes 'high performance' in a board, although the issue is gaining increasing interest. One obvious approach would be to take those factors where a board has either the responsibility or potential to 'add value', and seek to measure its impact. The test, of course, is determining the criteria and associated indicators, and Section 4 attempts this for HEI governing bodies.

What makes a board ineffective?

3.10 Perhaps the starting point for thinking about effectiveness is to ask the question: what makes a board ineffective? Some of the answers to this question are relatively self-evident, but other less so. Amongst the issues widely identified in the literature across all sectors are:

- Unsuitable processes or governance structures which will - almost by definition - undermine governance.
- Board membership which is inappropriate to meet defined roles and responsibilities, or where the skills and experience of board members are not used effectively.

³⁰ Cadbury A, (1997), Board Focus - The Governance Debate, Egon Zehnder International, London

³¹ Selvaggi M and Upton J, (2008), Governance and Performance in Corporate Britain, ABI Research Paper 7, Association of British Insurers

³² Bader B S, (2001), Eight Principles of Effective Governance, Health Progress

- A lack of clarity in the responsibilities of boards.
- An over dominant chief executive or senior management team, particularly one with little sympathy for effective governance.
- Inadequate information flows to a board and lack of a systematic approach to providing board information.
- Boards which lack coherence with members acting as individuals with little identification of what is in the best interest of the organisation as a whole.

All of these can apply to the governing bodies of HEIs, and Shattock³³ identifies a number of examples of poor governance which have arisen for these reasons.

3.11 However, there are other less evident reasons for ineffectiveness:

- Weak board leadership by its chair and senior members - particularly debilitating if combined with the existence of a dominant CEO.
- A lack of motivation, willingness or time on the part of board members to address difficult issues or to challenge an executive constructively.
- A tendency to 'group think' in some boards where dominant or 'conventional' assumptions may not be challenged.
- An absence of trust and integrity within a board.

All these issues have been demonstrated by corporate failures associated with the 'credit crunch', but may be much less visible than the factors in paragraph 3.10. As such they may not be raised in many conventional board effectiveness reviews, and may only surface in times of crisis.

3.12 Of course, the problem with identifying such a list factors involving ineffective governance is that by themselves they do little to establish what constitutes effective governance in action. For example, it is one thing identifying weak board leadership, but entirely another determining what constitutes strong and effective board leadership. Similarly, there is the need to accept that in reality most codes of governance outline only minimum acceptable sector standards, and that any concept of effectiveness - still more high performance - will substantially exceed what is codified. For example, an HEI adopting all the good practice suggestions in the CUC Guide for Governors³⁴ would reduce the possibility of being ineffective, but this would not, by itself, ensure effectiveness. To move from looking at poor governance to identifying what is effectiveness in action we need ways of thinking about and defining effectiveness and its component parts.

Approaches to identifying effective board governance

3.13 Several different approaches are identified in the literature, and are briefly described below. At the outset it is important to note that none of them can easily explain all aspects of board effectiveness in the public and not-for-profit sectors. Instead, these approaches provide different means of understanding the relationship between an organisation and its board, and therefore the role of governors and the appropriateness of governance processes. Some of these approaches have particular relevance to higher education, and capture challenges facing governance in the sector. (For more details of the approaches summarised see Cornforth³⁵.)

³³ Shattock M, (2006), op cit

³⁴ CUC, (2004), op cit

³⁵ Cornforth C, (2001), What makes boards effective? An examination of the relationships between board inputs, structures, processes and effectiveness in non-profit organisations, *Corporate Governance: An International Review*, 9 (3) pp 217-227

3.14 The approaches summarised are:

- Management perspectives, particularly the 'Carver model' of governance and maturity models.
- Agency perspectives.
- Stewardship perspectives.
- Political perspectives.
- Partnership perspectives.

a) Management perspectives of effective governance

- 3.15 The numerous initiatives to enhance governance in the corporate sector (stemming largely from high profile company failures) have given rise in the last few years to new orthodoxies about how effective governance is best achieved, and all stress what might generally be seen as a managerial approach. Greater accountability and transparency have been seen as critical in terms of engendering trust amongst both shareholders and the public, an aim which - in the financial sector at least - has clearly been set back substantially as an outcome of the current economic downturn.
- 3.16 A raft of high profile reports (Cadbury, Turnbull, Higgs, Smith and many others - see Appendix B for details), has led to substantial codification of what is perceived to be basic good practice in governance, most notably through the Financial Reporting Council (FRC) Combined Code³⁶. This has subsequently led to numerous codes for specific sectors, including health, the voluntary sector, and - of course - higher education with the CUC Code of Governance. All of these reports were written by and for experienced senior managers and board members, and inevitably reflect a managerial view of governance. Such is the current dominance of this view (including in much of higher education), that we perhaps need to be reminded that it is not the only view of what constitutes effective governance, nor are some aspects of its application uncontested in higher education and the not-for-profit sector.
- 3.17 Following such developments, as might be expected, there is now a substantial literature on board effectiveness from a management view (particularly a private sector perspective), and some of this research is summarised in Appendix B. A typical example is the work of Bain³⁷ (himself Chairman of the Institute of Directors - IoD) writing a description of the qualities that both boards and board members need in order to be effective. Citing the IoD's 'Standards for the Board'³⁸ he defines the following personal attributes required by members (each in turn subdivided into different categories): strategic perception; decision making; analysis and the use of information; communication; interaction with others; and the achievement of results. Clearly these attributes will manifest themselves in very different ways in the relatively large governing bodies typical of the not-for-profit sector as compared to small private sector boards with executive membership, but - selectively used - they remain a potentially useful list of attributes for HEIs to consider when recruiting board members. As might be expected, there are many such lists of attributes in the management literature on governance, largely generated through descriptive accounts of perceived good practice.
- 3.18 Amongst the many accounts of effective governance which fall under the general heading of management approaches, two might be usefully identified and briefly described: the John Carver 'Policy Governance Model'³⁹ and the idea of board maturity. For the past two decades the writings of Carver have been influential in changing the practice of governance in both private and public sector organisations - particularly in the US - and many board members will be familiar with the ideas (although not necessarily the source).

³⁶ See www.frc.org.uk/documents/pdf/combinedcode.pdf

³⁷ Bain N, (2008), *The Effective Director*, Institute of Directors, London

³⁸ www.iood.com

³⁹ The best starting point for exploring the work of Carver is his dedicated web site: www.carvergovernance.com

3.19 In summary the 'Policy Governance Model' is based upon a number of key principles which include:

- A rigorous separation of governance from management, with the board being responsible for the former and concentrating on organisational 'ends' (mission) whilst leaving managers to concentrate on the 'means' to achieve them. In this approach the main involvement of the board in relation to 'means' is to define what a CEO must not do, ie 'means limitations'.
- Avoiding too much delegation to committees which risks confusion about 'who is responsible for what'. Where necessary short term ad hoc groups may be used for specific tasks.
- Formalised systems for regular reporting to a board by the CEO.
- That the purpose of the board is "to see to it that owners' wishes, possibly as adjusted by informed inquiry, are fulfilled in organisational performance"⁴⁰. As such the model is explicitly hierarchical, and the board "represents the owners and would fail in that stewardship if it allows staff to be on an equal level". (Despite this Carver believes the approach has application to all organisations depending upon how ownership is defined.) The Carver model is also one particular type of so-called 'agency theory' - see below.
- Conventional use of words in governance such as goals, objectives, procedure and strategy as being board responsibilities are misplaced (hence the focus on 'ends'). Although serving well in management they are seen potentially to confuse management and governance, for example, the strategic plan is seen almost entirely as a 'means' document for which managers have responsibility.
- The positions of board chair and CEO must be separated (traditionally unusual in the US).
- Board membership must be suitably skilled, and the approach generally requires small boards.

Notwithstanding its obvious origins in the private sector, Carver's approach (or variants of it) has become quite widely used in the UK public sector, for example, a number of governing bodies in further education colleges have adopted aspects of the model.

3.20 With its explicitly managerial thrust, Carver appears to sit uncomfortably in governance arenas where collegial or representational board structures are the norm, and arguably where organisational complexity is high. Nonetheless many lay members of governing bodies who are non-executive directors of other bodies may have become accustomed to Carver-like approaches, and some HEIs are now starting to innovate in this direction, with, for example, smaller bodies meeting much more regularly and with much reduced committee structures.

3.21 The second notion of 'board maturity' is much less well developed, but has been borrowed from studies of leadership theory where the idea is more established. The concept of maturity has some obvious attractions in relation to assessing the effectiveness of governance, as it is likely that under most conditions a mature board would be more effective than a less mature one. The problem, of course, is defining maturity in this context. One interesting approach is the OCEG 'Corporate Governance Maturity Model'⁴¹ which is based on a matrix formed on one axis by five board decision making attributes (capability, structure, processes, information and technology, and results) and by five stages of maturity on the other axis (forming, developing, normalised, established, and mature). Each of the 25 resulting cells has a brief statement of the criteria involved which would potentially allow a board to determine its position.

⁴⁰ www.carvergovernance.com/faq1.htm

⁴¹ Produced by the National Association of Corporate Directors at www.oceg.org/Details/CGMM

3.22 Whilst such an approach has attractions, one problem is the implication that there are easily defined characteristics that constitute board maturity irrespective of organisational culture, mission, and values. This might make such an approach difficult to use in the context of UK higher education because of the diversity identified at the start of Section 2. An alternative approach is to define maturity in more neutral terms, perhaps in relation to the processes that a board or governing body has in place. Using this idea, a mature governing body would be one that has given substantial evidence-based thought to its key processes, and this is applied in Section 4 in respect of governance in HEIs.

3.23 Of course, the dominance of a management perspective in defining effective governance is not without its critics, not only in higher education (see Section 2) but in other parts of the publicly funded sector. For example, Ashburner⁴² amongst many others notes that the changes in governance structures in the NHS which have been modelled on the private sector have been accused of neglecting public accountability and local democracy. Indeed, this idea of the democratic deficit in governance is a frequent theme in the literature. Even within the private sector, concerns have been expressed about aspects of a managerial model, with Bain⁴³ calling for much greater attention to be paid to re-establishing trust and integrity in governance and management, a call amply justified in the light of recent scandals.

b) Agency perspectives of effectiveness

3.24 For some time so-called 'agency theory' was a dominant view of corporate governance arrangements, particularly in parts of the not-for-profit sector, for example charity boards⁴⁴. The idea is based on ownership being separate from the control of an enterprise, with the assumption that the owners (or shareholders) of an organisation will have different interests from its managers⁴⁵. As the owners do not have control over daily operations, the role of the board is to represent the interests of the owners and ensure that it acts in the owners' best interests. In extreme cases this approach assumes that there may be little or no trust by owners or board members in managers, who need to be robustly held to account.

3.25 During research on the work and relationships of non-executive directors conducted in support of the Higgs Review⁴⁶ it was noted that assumptions in agency theory had been a significant influence on the study of governance⁴⁷, particularly where board effectiveness was "assumed to be a function of board independence from management, trust relations are formally discounted and the 'control' role of the non-executive is emphasised"⁴⁸. Agency theory suggests that too close a relationship between executive and non-executive members of a board should be avoided because of the collusion that this might imply, and, because agency theory assumes that self-interested opportunism is inevitable, robust systems of monitoring and control should be put in place.

3.26 Whilst some elements of this view remain, a growing literature casts doubt on the 'real world' application of agency theory (particularly in the not-for-profit sector), with the general growth in collaborative working and the realisation that, at least in the case of the chief executive, a strong relationship with the board, built on mutual trust, could be advantageous. There is now substantial research evidence of the importance of boards and CEOs working collaboratively (whilst respecting

⁴² Ashburner, L. (2005), 'The impact of new governance structures in the NHS' in Cornforth, C. (Ed) *The Governance of Public and Non-Profit Organisations - What do Boards do?*, Routledge, London

⁴³ Bain, (2008), *op cit*

⁴⁴ Harris M, (2004), *The Power of Boards in Service Providing Agencies: Three Models*, Administration in Social Work

⁴⁵ Roberts J, McNulty T, and Stiles P, (2005), *Beyond agency conceptions of the work of the non-executive director: Creating accountability in the boardroom*, British Journal of Management, 16

⁴⁶ Higgs D, (2003), *Review of the Role and Effectiveness of Non-Executive Directors*. Department of Trade and Industry, London

⁴⁷ Jensen M C and Meckling W H, (1976), *Theory of the firm: Managerial behavior, agency costs and ownership structure*, Journal of Financial Economics, 3 (4)

⁴⁸ Roberts J, McNulty T, and Stiles P, (2005), *op cit*

each others' roles) and that such collaboration potentially provides a relationship between a board chair and the chief executive, with the former using this relationship to support the performance of the latter. Trust and openness in this relationship then creates the conditions under which non-executives can be recruited who are themselves able to complement the skills of the executive team⁴⁹. Similarly, (and as noted above) within HEIs Llewellyn has identified the importance to governance of three way collaboration between the governing body chair, the head of institution, and the clerk/secretary⁵⁰.

c) Stewardship perspectives of effectiveness

- 3.27 In contrast to agency theory, 'stewardship theory' is based on the premise that the interests of the owners and managers of an organisation are shared⁵¹ and that managers will behave in the interests of owners (and shareholders) because such actions will also be in their own interests. It follows that there should therefore be no inherent problem in executive motivation or need for close control⁵². Stewardship theory underlines the board's role in developing institutional performance by improving strategy and decision making. It is also suggested⁵³ that governance works best when the chief executive has complete control over an organisation, particularly so when the CEO also holds the post of chair of the board, a situation of 'CEO duality' which is common in the USA.
- 3.28 Elements of this view of governance are seen in higher education in the way that board members may be chosen for their expertise and potential to help improve the performance of the institution, often on the basis of their professional expertise and skills, although they may not always be as closely linked to the world of higher education as the 'inside' members that would be required for the governing body consistently to make superior decisions.
- 3.29 However, there are practical shortcomings in this approach that undermine the application of the theory, in both company and higher education settings. The codification of corporate governance has included a move to split the roles of company chair and chief executive in order to improve accountability within the board. The alignment of the leading positions within the organisation may not be desirable in terms of complying with external accountability measures required to satisfy shareholders, or even possibly where major shareholders call for board reform. In the case of other organisational types, in particular HEIs, there is even less chance of CEO duality because of the expectation that the roles of chair and chief executive will not normally be held by the same person.
- 3.30 Moreover, although the stewardship model assumes shared interests with owners, in higher education it may be difficult for the objectives of an autonomous HEI to be fully aligned with those of its stakeholders, particularly government. Consider the paradoxes, for example, of balancing an institution's wish to maintain academic quality (and hence reputation) and the desire, amongst students, for high examination grades (which might also have reputational implications for the students and the institution), or the need for an institution to increase research income but not accept such income from sponsors where there are ethical concerns. The distrust between government and many HEIs in relation to widening participation policies is a further example. Such issues result in governance dilemmas that arise from the complexity of the higher education system. It is unlikely that the simple alignment of stakeholder and institutional interests required by stewardship theory would be possible and, as a result, its potential for assessing the current effectiveness of higher education governance may be severely limited.

⁴⁹ Roberts J, et al, (2005), op cit

⁵⁰ Llewellyn D, (2009), op cit

⁵¹ Donaldson L, and Davis J H, (1991), Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns, Australian Journal of Management

⁵² Davis J H, Schoorman F D, and Donaldson L, (1997), Towards a stewardship theory of management, Academy of Management Review, 28 (3)

⁵³ Donaldson L, et al (1991) op cit

3.31 Having made that criticism, it might also be the case that much governance in higher education in the past might be characterised by a stewardship approach. The external environment has been generally stable (at least in relation to higher education), government policy generally non-interventionist; many lay members of (large) boards were in place for representational reasons, and most governing body meetings were highly collegial with the dominance of the vice-chancellor often recognised and accepted. If the stewardship model largely no longer applies, it is - in some ways - an indication of changes in institutional governance itself.

d) Political perspectives of effectiveness

3.32 Some of the earliest attempts to look at governance in higher education used approaches consciously drawn from political theory, to examine who made decisions and how they were made. For example, Baldrige⁵⁴ reviewed governance within the large federal structure of the State University of New York, and concluded that some of the dominant elements of governance could best be explained by looking at the competition between competing parts of the University for influence, the growth of a 'power elite', how consultation of key decisions was (and was not) made, and so on.

3.33 Although times have changed, such a form of analysis is still relevant to public universities in the US, for example Lombardi et al in a briefing document on governance in US universities for the Centre for Measuring University Performance notes that "no organisational structure adequately explains public higher education governance without a parallel understanding of the actual distribution of political power within state government"⁵⁵. A more detailed analysis has recently been undertaken of governance in public universities in the US by Kezar (see Appendix B for more details)⁵⁶, set in the context of increasing politicisation of institutional governance through the intervention of some state legislatures. The starting point for Kezar's analysis of public university governance has two elements that are important for this review:

- First, she is clear that "the challenges facing higher education require high-performing boards" which not only need to be prepared to address numerous difficult strategic issues, but must do so in a post-Enron environment where "people are wondering whether boards can be trusted to make quality, ethical decisions that represent the public good", a challenge made all the harder by the outcomes of the 'credit crunch'.
- Second, in reviewing existing literature she notes that high performance amongst boards is often not defined, and instead factors that affect performance tend to be studied. She goes on to note that "the literature on non-profit boards tends to emphasise process definitions [of effectiveness] exclusively because outcomes of board performance are difficult to isolate and measure". This point is certainly true of the UK, and one of the main challenges for the Leadership Foundation and CUC is to find a way of incorporating board outcomes into any conception of effectiveness and high performance.

3.34 Based on the results of her study, Kezar identified six elements of effective or high-performing boards:

- Providing leadership through developing a common vision.
- Developing a culture and associated values which guide the ways that boards work.
- Education, which refers to the support and development of the board.

⁵⁴ Baldrige J V, (1971), *Power and Conflict in the University: Research in the Sociology of Complex Organisations*, John Wiley, New York

⁵⁵ Lombardi J V, Craig D D, Capaldi E D, and Gater D S, (2002), *University Organization, Governance and Competitiveness*, The Centre for Measuring University Performance, Arizona at <http://mup.asu.edu/UniversityOrganization.pdf>

⁵⁶ Kezar A, (2006), *Rethinking Public Higher Education Governing Boards Performance*, *The Journal of Higher Education* Vol 77 No 6.

- Ensuring effective external relationships: the distinctive political elements within the US public higher education system which recognises that boards are not "independent decision making units" but part of broader local government arrangements. Here the study found that boards with large numbers of externally appointed or elected members (some with political affiliations) were likely to be different from those where appointment remained within the control of the institution.
- Building relationships, including (crucially) that between the board chair and the university president, but also between the board and the university more generally.
- Appropriate governance structures, of which five issues are highlighted: clarity of role; an effective committee system; careful selection of the board chair (usually elected annually by board members - a process common across US not-for-profit institutions); ongoing board evaluation; and the need for a board to act "as a collective".

Not all these factors apply to the UK, but many do and have been incorporated into the framework for identifying effective governing bodies set out in Section 4. A similar analysis although with different criteria had previously been undertaken by Chait et al⁵⁷, partly based on private universities in the USA, and in which the political dimension featured much less significantly.

- 3.35 To a member of a small private sector board focused on maximising institutional performance and shareholder value, an approach to recognising governance in at least partly political terms might seem alien, but there is much here that might apply to at least some not-for-profit boards in the UK and in some HEIs. Consider the boards of some of the great cultural institutions of the UK, where members are carefully selected to be drawn from recognised professional, social or cultural interest groups. How this is done, and the way that those interest groups are then involved (or not) in governance may be a highly political process, and any attempt to assess the effectiveness of such boards must - at least - acknowledge such a dimension. Similarly, governance in some large federal HEIs may also demonstrate strong aspects of politicisation.

e) Partnership perspectives

- 3.36 All the four approaches above potentially apply to all kinds of organisations, but a fifth kind is probably unique: partnerships and cooperatives. Internationally, organisations based on such structures are very much alive and well. They range in size from major for-profit cooperatives to very small community based initiatives, and include major companies in the USA and Europe⁵⁸. The governance of such organisations is directly relevant to HEIs, because in most cases a key element of governance is how members or partners should be involved, and how to balance participation with efficient board decision making - an issue which has a very strong parallel with that of the role of collegiality in HEI governance.
- 3.37 Typically partnership or cooperative governance structures have to wrestle with at least four issues which directly raise the issue of participation:
- The role of the supreme governance body, how it relates to management, how members are selected, and how it can remain in touch with what is going on.
 - The size of the supreme governance body in order to give members or partners confidence that their voice will be heard, and what its composition should be.
 - In cases where the supreme governance delegates some functions to a smaller body, what size this should be and how its members should be chosen.
 - Whether some form of advisory body is needed to represent the interests of special categories of member or stakeholder and, if so, what kind of role it should have.

⁵⁷ Chait R P, Holland T P, and Taylor B E, (1996), *Improving the Performance of Governing Boards*, American Council on Education, Oryx Press, Arizona, USA

⁵⁸ For a list of the largest cooperatives see the Global 300 list at www.global300.coop

- 3.38 Shattock⁵⁹ also draws attention to the potential relevance of partnership models of governance to HEIs, and cites the example of the legal firm Clifford Chance which has more than 650 partners spread internationally and takes important decisions by postal ballot "perhaps balloting them ten times a year". However, there are many other examples which provide interesting illustrations of effective governance in action within partnership structures.
- 3.39 Perhaps the best example is the household name of the John Lewis Partnership, which has a governance structure with many parallels to higher education. It employs 69,000 staff (called partners) in the UK, was founded as a partnership, and in the competitive world of retailing has an unusual corporate governance structure reflecting its values to give all partners a voice in the business they co-own⁶⁰. The most senior body in this structure is the Partnership Council which has 87 members elected from all partners, and whose main role is to hold management to account. Each main retail outlet has its own branch council where partners participate. There is also a Partnership Board responsible for the management of commercial activity, and members include the chairman, five directors appointed by the chairman, five directors elected by the Partnership Council, and two non-executive directors. The Council has the ultimate responsibility of dismissing the Chairman if he (or she) fails to fulfil responsibilities, and he appears before the Council twice a year to report and answer questions on his running of the Partnership. There are two other key bodies: both John Lewis and Waitrose have divisional councils, with at least one elected councillor to represent each branch, but not to act as delegates of their constituents. Freedom of speech is guaranteed. Second, each John Lewis selling branch has a branch forum (the members of which are selected by their fellow partners to represent them), and each Waitrose selling branch has a partner voice forum. Similar arrangements apply for the head offices and other services.
- 3.40 This structure is set out at some length because it provides a good example of the correlation between a highly successful business and explicitly collegial governance. Observations on why this structure is successful probably include: a concentration on 'core business'; a consistent implementation of defined core values; high quality products and services; the absence of shareholders seeking to maximise share value; strong institutional loyalty amongst partners (partly because of progressive employment policies); and an absence of diversity in organisational structure. This latter point contrasts significantly with higher education, where the complexities of organisation and multiple motivations of those involved provides a complication (and potential conflict of loyalties) which may not occur in John Lewis.

Conclusions

- 3.41 Although the details of these five approaches may be of academic interest, the average governing body member will probably want to ask the question: which one sheds most light on the effectiveness of boards? The answer is the one given at the start of this section: that it probably depends upon the nature of the organisation and board concerned, its mission, values, and the context in which it operates. Indeed, some researchers have called for a theoretical pluralism to balance the dominant paradigm of management and agency theories. For example Turnbull⁶¹ notes the "need to accept the possibility of people behaving both as opportunistic self-serving agents and selfless stewards. No one theory or model of society is likely to be sufficient for understanding, evaluating or designing governance structures". Similarly Cornforth⁶² proposes that multi-paradigm perspective be used rather than choosing between approaches in order to take account of the numerous contextual factors influencing governance. Such a hybrid approach is used in Section 4.

⁵⁹ Shattock M, (2006), op cit

⁶⁰ See www.johnlewispartnership.co.uk/about us.

⁶¹ Turnbull S, (1997), Corporate governance: Its scope, concerns and theories. *Corporate Governance: An International Review*, 5 (4)

⁶² Cornforth C, (2001) op cit

- 3.42 To take the example of John Lewis provided above: it would obviously be inappropriate to assess its board effectiveness in a way did not take account of the distinctiveness of its organisational culture and values. The same argument applies to governance in HEIs, which in most cases is clearly a hybrid of some of the approaches set out above. Traditional stakeholder mechanisms of governance have changed over time (although not necessarily some of the assumptions, for example the voluntary principle of non-remunerated service), whilst greater external accountability implied in agency theory has grown (sometimes with the implied assumption that managers and HEIs cannot be trusted to run their own affairs). The results have inevitably caused confusion in some institutions, and the adoption of more managerial models (such as Carver) have become attractive to some HEIs. What this argues for is greater clarity of purpose within HEIs and key stakeholder bodies around what is required of governance, together with the articulation of clear assumptions and guiding principles (as in some partnership models) to assist implementation.
- 3.43 Finally, it needs to be emphasised that these are not just speculative ideas, but how governance is perceived and analysed has a major practical influence on good practice and how it may be identified and disseminated. To take just one example, the oft cited need to distinguish between governance and management: clearly, all the five approaches to reviewing the effectiveness of governance listed above would see this in slightly different ways. Agency theory and the Carver model see this distinction as a fundamental principle of good governance, but in stewardship and - probably - most partnership and political perspectives the issue is not so clear and there may be many occasions where shared decision making is operated. Similarly some governing bodies in HEIs encourage the establishment of joint committees with the academic board or senate whilst others reject the idea, and what is at issue is a different way of understanding institutional governance and the responsibilities involved. No approach is either right or wrong (except when implemented incompetently), rather they are different approaches to the same goal, and any model of governance effectiveness and high performance needs to recognise that.

4. WHAT IS AN EFFECTIVE AND HIGH PERFORMING GOVERNING BODY IN HIGHER EDUCATION?

- 4.1 Drawn from available research, in this section we present those factors we believe constitute effective and high performing governing bodies in HEIs. Many of the factors are not new and will be easily recognised by experienced members of governing bodies. However, what is new (as far as we can tell) is the way that these factors have been put together, in a framework that should enable HEIs to review the effectiveness of their own boards. The factors have been drawn from the literature review, the data collected by OPM, and a range of engagements by the author of this review with governing bodies including through undertaking detailed effectiveness reviews.
- 4.2 The factors listed and the framework which they constitute have a number of key features:
- Building on the work of Kezar⁶³ the factors are not restricted to just process issues concerning governance, but rather address both processes and outcomes.
 - The way the factors are presented is non-prescriptive and capable of being used by most HEI governing bodies irrespective of size, mission, or governance style. The only possible exceptions are probably those few institutions without significant external board membership.
 - If HEIs choose to do so, parts of the framework could be benchmarked in qualitative terms to enable confidential inter-institutional comparisons to be made.
 - The framework is not intended for audit or compliance purposes - indeed attempting to use it in this way might inhibit some of the benefits of institutional self-study that the approach potentially provides.
- 4.3 Although it is a useful instrument, we have chosen not to use the criteria in the Good Governance Standard for Public Services⁶⁴, as these are almost wholly concerned with process issues and do not quite capture the distinctiveness of governance in HEIs.
- 4.4 The basis of the analysis is distinguishing between two sets of factors which we describe as the **enablers** of effective governance, and the **outcomes** of effective governance. Each is described below, and enablers are broken down into key component elements. How much detail to provide is a matter of debate: if the two sets of factors and associated framework are to be used by HEIs to assess board effectiveness then simplicity in presentation is desirable. On the other hand, complex issues are involved, and over-simplification would make the framework less helpful than it might be. In paragraph 4.64 a diagram of the overall framework is presented, and we will be interested to explore with HEIs whether the amount of detail and complexity is too little or too great. In order to aid understanding, parts of the diagram are presented in the following pages, so that it is clear how the eventual framework has been arrived at.

The enablers of effective governance

- 4.5 As noted above (and in Appendix B), there is a substantial literature on the processes by which effective governance is conducted, including - of course - in the CUC Guide itself. However, such information runs the risk of being a mass of detail, whose comprehensiveness itself obscures key messages. Accordingly in this section just six factors are identified which are crucial in enabling effective governance. (Some of these factors were identified by OPM in their work for the Leadership Foundation and CUC but the categorisation that they suggested has been revised.) It is important to recognise that these factors do not by themselves lead to effective outcomes or a governing body adding value, but without them being in place it is very unlikely that effective outcomes can be achieved. In other words these six enablers provide the potential for governing bodies to be effective.

⁶³ Kezar A, (2006), op cit

⁶⁴ The Independent Commission on Good Governance, (2005), The Good Governance Standard for Public Services, OPM, London

- 4.6 The six enablers are as follows, and each one is discussed briefly below and five key elements identified for each:

ENABLERS OF EFFECTIVE GOVERNANCE

1. Effective leadership and governing body dynamics
2. Effective governance structures and processes
3. Effective governing body membership
4. Commitment to vision, organisational culture and values
5. Effective performance monitoring and measurement
6. Effective information and communication

1. Effective leadership and governing body dynamics

- 4.7 Irrespective of the governance structures that are in place, governing bodies only work well when the key players involved want them to work well. The converse is well recognised: a governing body which acts as a passive 'rubber stamp' or over-formalised boards which seldom discuss important issues of strategy. It is increasingly recognised that an effective board has an important leadership role. In a recent book recognised authorities on governance in US universities Chait et al⁶⁵ propose that there is much to be gained from seeing those who govern as contributors to leadership rather than simply as monitors of institutional health. Similarly (and as noted in Section 3), Bain⁶⁶ has called for much greater attention to be paid to re-establishing trust and integrity in governance and management - a leadership challenge if ever there was one.
- 4.8 There is a potentially long list of issues which fall under this heading, but the following five are frequently cited in research:
- The approach, style and motivation of the chair of the governing body.
 - Support for effective governance by the head of institution and - probably - key members of the senior management team.
 - The quality of the interaction between the governing body chair, the head of institution, and the governing body clerk/secretary.
 - The nature of the conduct of governing body meetings and the style of chairing.
 - The interpersonal dynamics amongst board members.
- 4.9 The crucial role of the chair is widely recognised including in the five case study institutions visited by OPM. All saw this as a highly active role (and not the rather formal position of yesteryear), with responsibilities that at a minimum included leading the board in undertaking their defined primary responsibilities whilst maintaining a separation from, but good relations with, the head of the institution. Establishing an appropriate balance between the chair and head of the institution is considered critical, with a chair having considerable authority in determining how a governing body influences the head of the institution. For example, an overly passive chair might allow the head of the institution to take too dominant a role, with a governing body only acting as a rubber stamp, whereas a proactive chair has the opportunity to ensure the governing body plays a key role in helping shape and influence key strategic decisions.

⁶⁵ Chait R P, Ryan W P, and Taylor B E, (2005), *Governance as Leadership: Reframing the Work of Nonprofit Boards*, Hoboken: John Wiley & Sons Inc

⁶⁶ Bain N, (2008), *op cit*

- 4.10 The role of 'critical friend' is also regularly cited as being vital in this respect, and a vice-chancellor in one of the case study institutions commented that "the role and influence of a good chair often goes beyond the governing body meetings...it is about what happens in his office in one-to-ones, it happens in phone calls, it happens in emails ... the trouble is that governance often looks very formal, that's the problem, it isn't".
- 4.11 Similarly, the skills of a chair are important for fostering team working between governors, both within and outside meetings. This is not just about chairing meetings (although that is important) but also about creating an appropriate atmosphere within boards and between members. In undertaking effectiveness reviews, experienced lay governors who may be members of several boards frequently contrast the 'atmosphere' within different boards, and observe that the style and skills of the chair are crucial determinants of this. Of course, most governing bodies are not teams (they do not meet often enough to be), but they do need to demonstrate some aspects of teamwork, and failing to do so can seriously damage the dynamic of a governing body and inhibit decision making. Indeed one participant (himself a governing body chair) put it succinctly at one of the consultative workshops which collected data for the OPM research that "the chair can either 'make or kill' an effective governing body".
- 4.12 An important element in providing leadership is ensuring an effective three way relationship between a governing body chair, the head of institution, and the clerk/secretary to the governing body. This has recently been researched by Llewellyn in his substantial study for the Leadership Foundation⁶⁷. In emphasising the importance of considering healthy board dynamics as a foundation for assessing effectiveness, he notes that the focus of research "needs to be extended to move the debate from governance process to people, from structure to social interaction and from institution to individual so that we might gain a broader understanding of governance practice and its role in supporting effective institutional governance". Such leadership starts, of course, with the crucial role of the governing body in appointing a new vice-chancellor or principal. Existing guidance produced by Universities UK is currently being revised with a view to publication in Autumn 2009.
- 4.13 Llewellyn documents the important role played by governing clerks/secretaries not only in providing direct services to a board, but crucially in terms of the role they play in the three way interaction with chairs and heads of institution. Based on a sample of 110 UK HEIs, using a cluster analysis he identifies three groups of HEIs where the different nature of these three way interactions has varying implications for governance. In summary, these cluster groups were:
- Cluster 1 was dominated by 'high input' secretaries and relatively 'low input' chairs and heads of institution. Amongst other characteristics this group reported a higher result than the other groups on whether the development of governance was being driven by external accountability measures. These HEIs tended to have a higher level of procedural advice-giving, and a lower level of provision of ethical advice than the other clusters. They also had a relatively high incidence of dealing with conflicts of interest in relation to governing body members and other institutional business.
 - Cluster 2 contained those institutions where the input from all three individuals was relatively low, and was typified by a relatively low understanding of the secretary's role by the head of institution. This group felt that their governing bodies needed more prompting by the secretary to deal with the development of governance practice and felt most strongly (although only marginally above Cluster 1) that governance was more complex than ten years ago.

⁶⁷ Llewellyn D, (2009), op cit

- Cluster 3 was characterised by high input from all three individuals, and reported higher ratings for the understanding of the secretary's role than both other groups. A higher proportion of secretaries declared their HEIs to be proactive on governance issues and aware of the importance of good governance practice. They consistently reported higher scores for questions concerning the importance of the governing body to academic strategy, public perception about the institution and the availability of sector governance guidance. They reported the lowest score for their assessment of the complexity of governance compared to ten years ago.

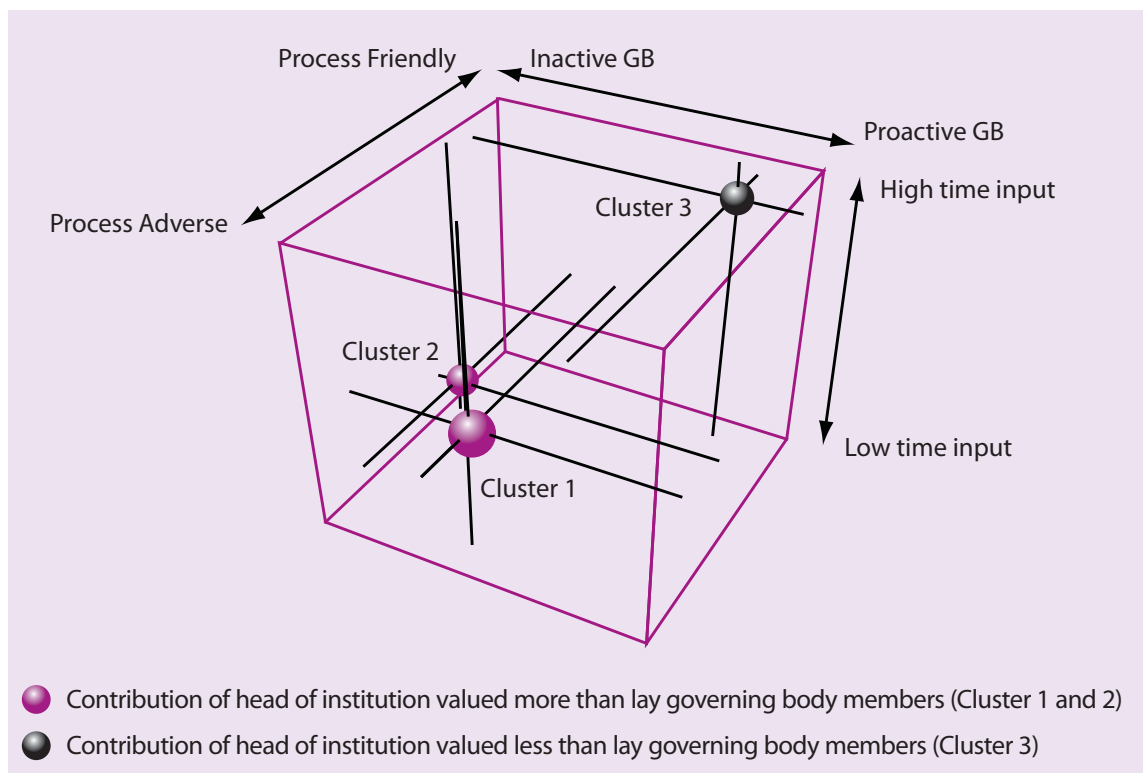
4.14 In Llewellyn's study a rank order analysis suggested that the factor with the greatest impact on the governing body across all three clusters was the quality of the chair. At the other extreme, the CUC Code and development opportunities for governing body members were ranked the lowest. Relationships between governing body members were also low on the list - testimony, perhaps, to the formalised nature of governance in many institutions.

Figure 2 below shows how the clusters are distributed against three measures: their approach towards governance processes, the 'activity level' of the governing body and time inputs on governance, as well as the relative value placed on the contribution of the head of institution.

The result is a 3-dimensional view of the practice based clusters that provides a valuable insight into the complex operating environment of governance, and the potential influence of these factors on the approach of governing bodies is clear.

FIGURE 2

TYPES OF GOVERNING BODY CLUSTERS (LLEWELLYN, 2009)



2. Effective governance structures and processes

- 4.15 The importance of effective governance structures and operating processes scarcely needs identifying as a pre-condition for effective governance, and the whole rationale for publishing the CUC Guide for Governors is largely based on this premise. Although core governance arrangements in most UK HEIs are similar, there is still substantial diversity with more innovation developing. Outside of the regulatory and statutory requirements for audit, nominations and remuneration committees, HEIs have freedom to adopt what structure they see fit, with fitness for purpose being a key criterion. Numerous factors could be listed in this category, but the five identified most often from a range of data sources appear to be:
- Clear roles and responsibilities exist for the governing body and are known by members.
 - The governing body decision making structure (including any committee structure) is fit for purpose.
 - A clear system of delegation exists with appropriate reporting mechanisms.
 - The arrangements for governing body meetings (number, timing, location, etc) is fit for purpose.
 - The size of membership of the governing body is appropriate to meet its roles and responsibilities.
- 4.16 Little clarification of these basic governance processes is probably required, and none is likely to be controversial as stated. What might be controversial, however, is any notion of best practice irrespective of context, hence the suggested criterion of fitness for purpose which means that each factor needs to be set in its own institutional context. Assessment of governing body size - to take one example - then ceases to be a rather meaningless debate about overall size, but rather is more helpfully seen in the context of the needs of particular institutions.
- 4.17 Similarly the existence of any particular committee system is neither right or wrong but only more or less fit for specific institutional purposes. To take several examples from the case study HEIs:
- Two HEIs have recently substantially reduced their governing body sub-committee systems in an attempt to streamline business whilst increasing the number of full governing body meetings.
 - Another has introduced an educational strategy committee of the governing body of a post-1992 HEI to assist in "determining educational character", and this has substantially increased the amount of attention the governing body has given to academic policy issues. The committee has strong links to the academic board and has academic members.
 - Another has introduced the idea of a dual assurance structure, which focuses on 12 main areas of university activities, many of which had been overseen by a committee in previous years. It was established as a way of reducing the time governors were involved in committees, so that they could be more actively engaged in the strategic governance of the institution. The approach involves two people: a member of the vice-chancellor's executive group (who has responsibility for the management of the business area), and an external governor (knowledgeable in the area concerned) who provides assurance to the governing body that this activity is well managed and that decisions have been reached following due process and appropriate consultation. Each dual assurance partnership has an administrative coordinator who keeps a record of decisions and ensures that they are disseminated. Where necessary the governor involved can request a full governing body discussion on an issue of concern. The process has the full support of the governing body, and both the chair and vice-chancellor feel this move has increased efficiency and added value to the decision making process.

All of these innovations are interesting, and potentially controversial, for example some will see the dual assurance process as an overlap between governance and management whereas others will see it (as does the university involved) as a good example of joint working within defined boundaries. The point is they that have all been undertaken after substantial discussion using an evidence-based approach of what is suitable for the institution concerned.

3. Effective governing body membership

- 4.18 The research data is clear that this is another fundamental factor in establishing a foundation for governing body effectiveness, and this is widely recognised in UK HEIs as much more effort than previously is now spent in recruiting board members, for example through the use of skill sets and other approaches. Five specific factors were evident in the data collected by OPM:
- The recruitment of governing body members with sufficient skill, experience, motivation, and diversity of background.
 - Support for members once appointed.
 - The provision of induction and ongoing professional development.
 - Utilising the skills and experience of members once appointed.
 - Reviewing and appraising member performance.
- 4.19 Largely self-evident as these issues are, they are not all easy to address, and the data suggest a number of ongoing difficulties in at least some HEIs:
- Although the benefits of having external members of governing bodies appears to be accepted in almost all studies, the proportions in relation to internal members are not, despite the requirement to have a majority of lay members. For example, in his book Shattock⁶⁸ questions whether external governors who usually only spend a modest amount of time on board matters, can ever be realistically expected to engage in effective oversight. He notes "the overall point is that, without very frequent meetings, which would be unwelcome to most members, it is difficult to see how governing bodies can build up the necessary expertise and involvement in strategic decision making to exercise the functions of a well run company board"⁶⁹.
 - The participation of staff and student members remains somewhat contentious. On the one hand, all OPM case study HEIs had students and staff on their governing bodies, and this was considered very important not only from the student and staff perspective but also by senior officers. Indeed, the CUC Guide strongly recommends that institutions do not exercise their power (if they have it) to exclude student and staff representatives on their governing body. On the other hand, there may be clear potential conflicts of interest, and it is frequent for some lay members to question their participation "It is almost impossible for a university council to engage in high level strategic debate in the presence of a wide range of employee, student and other sectional interests... Whilst there is an understandable wish for decision making to be as open and transparent as possible, the structure of governing bodies is not ideal"⁷⁰. Some HEIs also take the view that the potential role conflict facing staff members of governing bodies is not helped by the absence of any selection mechanism other than elections, and several are exploring the use of skills set for internal members in establishing a basis for candidacy.
 - Ensuring diversity in board membership is seen by many HEIs as a challenge, with a potential tension between broadening the membership base on the one hand and seeking to enhance constantly the skill and experience base on the other. The geographical location of HEIs is reported to have a significant effect on this and more general issues in external governor recruitment. A study on diversity in HE governance currently being undertaken by the Equality Challenge Unit⁷¹ will provide more data in this area.
 - So far as induction and professional development for board members is concerned, two studies commissioned by the Leadership Foundation suggest differences in practice. Some HEIs actively support such activities and find value in them (although direct impact on board performance is often difficult to identify)⁷², whilst others find take-up limited due to a number of constraints, most notably governor time, motivation, and in some cases a lack of institutional encouragement⁷³.

68 Shattock M, (2006,) op cit

69 Shattock M, (2006,) ibid

70 Cited in SCOP, (2006), Getting to Grips With Being a Governor, pp 63, GuildHE

71 See www.ecu.ac.uk

72 Miller M, (2007), Governor Development Programme 2006 - Benefits and Impact Analysis, 15 October, at www.lfhe.ac.uk/governance

73 Cauldwell D, (2008), Governor Development: A Report on a Survey of Chairs of Governing Bodies of 25 Higher Education Institutions, at www.lfhe.ac.uk/governance

- Finally, appraising and reviewing governor performance raises numerous issues for governing bodies, including: the size of governing bodies which means a heavy load on the chair in undertaking such reviews; the motivation for reviews in the context of external board membership being non-remunerated; and the general interpersonal difficulties commonly found in reviewing performance. Nonetheless an increasing number of HEIs report some kind of review or annual conversation between the board chair and members. For example, in one of the case study HEIs the chair of the governing body appraises each member in annual one-to-one meetings, and it is felt that this helps to improve governing body effectiveness. During these conversations governors make suggestions on how they could improve their practice, and if considered appropriate, these approaches are then developed and piloted. Overall, the chair in this HEI has a very performance focused approach with continuous improvement being a high priority.

4. Commitment to vision, organisational culture and values

4.20 All available data sources suggest that there are a related set of issues concerning vision, culture and values that are important in underpinning effective governance. These all suggest that (unlike some interpretations of agency theory - see Section 3), governance in the not-for-profit sector is generally best done both in cooperation with management, and with a strong commitment to the institution concerned. With HEIs key factors are likely to include:

- An understanding of and commitment to organisational vision and mission.
- An understanding and acceptance of organisational culture.
- Supporting and where necessary defending core academic values.
- Actively implementing principles of good conduct in public life.
- Building trust and confidence in governance.

4.21 Some of these are accepted conventional wisdom (for example an understanding of and commitment to organisational vision and mission), but factors concerning academic values may usefully be clarified. The tensions within some HEIs about the perceived managerialisation of higher education governance have already been noted above, and where internal communication about governance is less than desirable (see below) and a board remains a remote body, there is a strong possibility that such perceptions will continue. In such circumstances it is likely that it will be difficult for a governing body to meet its full obligations in relation to academic matters and determining educational character. In order to demonstrate credibility to the academic community the opposite is probably required, with governing bodies needing to demonstrate their understanding of and support for core academic values, such as academic freedom. It is partly for this reason that the finding in the OPM survey that communication needs to be enhanced between governing bodies and academic boards/senates is important.

4.22 When taken together these five factors create an important basis for constructive governing body engagement with an HEI, with a distinctive role but a shared sense of engagement. This was well demonstrated in one case study HEI where a lay governor observed "People care and are engaged. There's a great sense of pride in the institution and we just want to make it even better - that's a very powerful spirit to have in the room... Many of the people on the governing body have a connection with the university; some extremely strong, not just alumni... It's one of the most enjoyable things I do, I sit on all sorts of councils and public bodies but I enjoy this one the most... It's a great institution and it feels like the council makes a difference; I really enjoy working with the council and the senior management team and they seem to value what I do".

5. Effective performance monitoring and measurement

- 4.23 This enabler of effective governance has already been set out in some detail by the CUC in two reports on the use of key performance indicators (KPIs)⁷⁴ and little further explanation is required. Key factors include:
- Adopting agreed KPIs to measure institutional performance.
 - Ensuring an effective strategic planning process to inform performance measurement.
 - Receiving and analysing defined information relevant to agreed KPIs.
 - Benchmarking institutional performance with relevant peers.
 - Measuring the performance of the governing body itself.
- 4.24 The governing bodies of each of the five case study institutions had adopted KPIs and were addressing all five factors indicated. To take just one example, a governing body had agreed with the executive a set of twelve comparator institutions against which performance could be measured using ten agreed KPIs. The indicators helped the governing body to compare themselves to peer HEIs in order to measure their progress and avoid complacency. It also enabled them to challenge the executive from an informed evidence base. This process is encouraged by the senior management team who are very open and transparent with the governing body where difficulties occur. The head of administration also ensures that if they want more detailed information then this is made available.
- 4.25 Although the last of these five factors is different in kind from the other four, it is nonetheless an integral part of performance measurement, and features widely in the research literature on board effectiveness. Indeed, by measuring its own performance a governing body helps to create the conditions whereby institutional performance measurement might be more easily accepted.

6. Effective information and communication

- 4.26 In all the case study HEIs it was repeatedly mentioned that the quality of information that governors received and how it was communicated to them was paramount in influencing how they could make decisions and engage in discussion at meetings. However, effective communication is broader than information flows to the board, and the results for the OPM survey also illustrate the importance of wider aspects of communication, within the board itself, within the institution, and externally. From this and the other research literature, the key factors identified are:
- Ensuring that the board receives timely and accurate information for all areas for which it is responsible.
 - That information is presented in as effective a way as possible.
 - That there is effective communication between governing body members and senior managers.
 - That there is effective two way communication within the institution about the governing body and its work.
 - That there is effective external communication on governance issues with key stakeholder bodies and the public at large.
- 4.27 Within HEIs there is substantial innovation in how information is being provided to governing bodies in an attempt to minimise 'information overload'⁷⁵. These include: presenting papers in particular ways to aid comprehension; the use of dashboards, traffic lights, and similar approaches, to draw attention to key factors; the increasing use of governors intranets, and so forth. One example from a case study HEI illustrates the point. The governing body concerned reviewed the

⁷⁴ CUC, (2006), op cit and CUC, (2008), op cit

⁷⁵ See for example, CHEMS Consulting, (2004), op cit. Chapter 5, CUC at www.shef.ac.uk/cuc/publications

information coming to it, and concluded that the papers were too bulky and governors could not always cope with the volume of information. Although some standardisation of approach to document presentation was already in place, information was still difficult to absorb. The governing body is now piloting a new approach, with papers (except financial reports) not normally permitted to exceed two pages in length. A template has been developed which includes how key information fits with a scheme of delegation and also includes providing supporting information on a password protected governors' website, so members can read as much or as little of the supporting information as they wish on the understanding that they will be required to make a contribution at meetings.

- 4.28 Case study data also highlighted the importance of effective communication in encouraging transparency and helping to build confidence and trust in the governing body by staff and students within the institution. Examples are provided in a study by CHEMS Consulting for the CUC⁷⁶. A similar issue applies to communication with external stakeholders and the public at large. As noted in Section 2, these were both areas where the OPM data revealed that the HEIs surveyed might reflect on the adequacy of some current practice.

How to assess the enablers of effective governance

- 4.29 The above is a formidable list of 30 elements resulting from six key enablers of effective governance. Arguably the list may be too long, but the research data - and personal experience - suggests that all are relevant in creating the foundations for an effective board. The question which follows is how might they be best assessed?
- 4.30 There are several possibilities concerning assessment. The first is not to try at all and simply encourage individual HEIs to use the categorisation as they wish. In addition to the pragmatic advantages of this approach, there are those who believe that almost any attempt to measure such factors - however sympathetic - will potentially be used for compliance and accountability purposes by one or more of the various funding bodies. However, although this danger exists, not to attempt any form of assessment undermines the whole purpose of this piece of research by the CUC and Leadership Foundation, and moreover provides no assistance for HEIs who might want to benchmark themselves with other institutions using the resulting data.
- 4.31 However, it is clear that if it is to be useful the information resulting from institutional self-study using these enablers must remain confidential to the governing body and HEI concerned, in the same way that previous internal board effectiveness reviews have been.
- 4.32 The second possibility would be to try to develop a prescriptive rating or scoring scale which enables governing bodies to plot their 'score' against defined best practice. Whilst this has obvious attractions, the problem is that - as noted in paragraph 4.2 - the intention is to produce a non-prescriptive approach to analysis, and in any case many of the factors identified have no 'right' or 'wrong' answers but are simply more or less appropriate depending upon different governance contexts. In any case, it would be hard to get agreement on what best practice represented.

⁷⁶ CHEMS Consulting, (2004), op cit Chapter 5

- 4.33 The third possibility - which is used in the following pages - is to take a non-prescriptive form of measurement which allows governing bodies to review the extent to which the various enablers apply to them, and where they do to assess how appropriate are the processes currently in place. Conveniently such a form of analysis exists, and has been used in higher education in two approaches to measuring institutional performance: the European Quality Awards Scheme and the institutional benchmarking methodology of the Association of Commonwealth Universities (ACU)⁷⁷. If the response to this paper is generally favourable within the sector, it is proposed that this methodology is tested later in 2009.
- 4.34 The proposed approach to institutional self-assessment is a slight adaptation of the ACU method in that although the methodology is similar the terminology is slightly changed to suit the context of governance. Three different - but related - criteria can be used to assess how any HEI governing body determines the effectiveness of the enabling factors listed above. They are:
- **Analysis.** How does a governing body know about its effectiveness for each of the six enablers and 30 associated factors listed above?
 - **Approach.** How does a governing body go about enhancing its effectiveness for each of the six enablers and 30 associated factors listed above?
 - **Outcome.** How does a governing body know the impact of its approach?
- 4.35 For each of these dimensions outline descriptions of the processes involved can be identified, and if governors wish can be rated as follows. However, the rating system is entirely optional:

ANALYSIS	APPROACH	OUTCOME	OPTIONAL RATING
Anecdotal. No system in place. Tendency to be reactive.	Anecdotal. No system. Individual action by clerk or board members.	No data. Perceptions of clerk and board members only.	1
Ad hoc or partial attention on an irregular basis.	Internal process within board of identifying requirements and options for action.	Monitoring processes in place and reported to board. Positive outcomes evident.	2
Systematic and routinised approach integrated with other review mechanisms.	Review of requirements based on best practice elsewhere.	As above plus leading edge outcomes in comparison to other relevant organisations.	3

⁷⁷ See www.acu.ac.uk

- 4.36 To take a practical example, the last bullet point in paragraph 4.26 asks whether there is effective external communication on governance issues with key stakeholder bodies and the public at large. Using this approach a governing body could identify how it goes about answering this question (analysis), the approach it uses (approach), and the results achieved (outcome). No 'correct' answer is necessarily implied, and it may be perfectly adequate for a governing body to have no formal process for answering some questions and not others. However, if a board had no or few formal processes for answering most or all of the questions then this would suggest that it could not be confident that the enablers of effective governance were in place. Conversely a governing body with a balance of level 2 and level 3 answers to a majority of enabling factors, might reasonably conclude that a sound basis for effective governance had been established. Using the idea of a 'maturity' model of governance (see Section 3), there is a sense in which a governing body in this latter category would have demonstrated maturity in operating the key processes of governance.
- 4.37 Extending the approach in paragraph 4.6 to include the 30 enabling factors and the above assessment methodology, results in the following diagram:

ENABLERS OF EFFECTIVE GOVERNANCE			
1. Effective leadership and governing body dynamics (including the five factors in paragraph 4.8)			
2. Effective governance structures and processes (including the five factors in paragraph 4.15)			
3. Effective governing body membership (including the five factors in paragraph 4.18)			
4. Commitment to vision, organisational culture and values (including the five factors in paragraph 4.20)			
5. Effective performance monitoring and measurement (including the five factors in paragraph 4.23)			
6. Effective information and communication (including the five factors in paragraph 4.26)			
	Assessment of Enablers - Analysis (1 to 3)	Assessment of Enablers - Approach (1 to 3)	Assessment of Enablers - Outcomes (1 to 3)

The outcomes of effective governance

- 4.38 As noted above, these are different kinds of factors from those identified above, and are not concerned with the processes of governance but the outcomes achieved by governing bodies. Reviewing how these factors have been undertaken enables an assessment of the performance of boards, including the added value of board activities. It also enables individual boards to identify if they are 'high performing'.
- 4.39 Clearly there are a very large number of potential outcomes from effective governance, but in order to be considered by any governing body they need to be classified in a way which is helpful, and avoids a long (and unusable) list. From the cumulative research evidence - including the data supplied by OPM - these can be grouped into eight categories of outcome plus one allowing for issues specific to HEIs. These are:

OUTCOMES OF EFFECTIVE GOVERNANCE
1. Ensuring that the strategic plan is achieved
2. Ensuring that financial health is achieved
3. Ensuring accountability and regulatory compliance
4. Ensuring quality in academic and service provision
5. Effectively assessing risk and supporting innovation
6. Enhancing institutional reputation and competitiveness
7. Providing confidence in institutional governance
8. Constructively supporting and challenging the executive
9. Other key outcomes specific to an HEI

Many of these outcomes will be self-evident, but they are briefly summarised below.

1. Ensuring that the strategic plan is achieved

- 4.40 This is widely recognised as a key responsibility of a governing body. Of course, implementation of strategy is a management responsibility, but a board must ensure that this is achieved. Moreover in helping to formulate and approve a strategic plan a governing body needs to ensure that it meets recognised criteria such as relevance to mission, the optimal use of resources, and that it is sufficiently challenging (but not overly so). Such an approach is clearly a long way from a board merely rubber stamping a strategic plan prepared elsewhere, and provides a real focus on engagement for a governing body. A respondent in one of the case study HEIs summed up this outcome by concluding that effective governing bodies can be distinguished "by the quality of the institution's strategic plans - those which were grounded in realism tended to come from well governed institutions". However defined, a board which achieves this in conjunction with management is clearly 'adding value'.

2. Ensuring that financial health is achieved

- 4.41 This is another explicit governing body responsibility which is widely understood and accepted. Financial health here includes all aspects of resource, including estates and staffing (although such major areas could be said to require separate categories of outcomes). How financial health is defined may vary between HEIs (although all the UK funding bodies have their own definitions), and some elements may be contentious (for example, the level of borrowing)⁷⁸. Given that governing bodies have unambiguous responsibility for institutional affairs, it could be argued that any HEI not demonstrating financial health (using defined measures in its own financial plan) is - by definition - not being effectively governed. Many of the illustrations in the 2006 CUC report on KPIs⁷⁹ concern financial health, and some are likely to feature in most HEIs' criteria for measuring the effectiveness of how governing bodies add value in this area.

3. Ensuring accountability and regulatory compliance

- 4.42 This measure of effectiveness is different from some of the others in this list, in that it concerns demonstrating compliance with defined requirements, primarily to an external audience - most obviously the funding bodies. The ability of HEIs to demonstrate accountability is an important aspect of effectiveness from an external stakeholder perspective, and provides reassurance in a number of ways. Indeed the new processes for undertaking a 'single conversation' in English higher education is explicitly based upon the notion that governing bodies add value in this area through demonstrating compliance and have thereby increased funding body confidence.
- 4.43 However, important as this is - and it should not be under-estimated - this measure is probably the most minimal element of what constitutes effectiveness. Indeed, it might be possible for the governing body of an HEI to meet all such requirements but still be performing poorly in practice, not least because many of the processes which constitute compliance are undertaken outside a board (for example, by the clerk/secretary or by auditors). Indeed, many of the corporate governance scandals of the last few years have occurred in companies that were complying with the requirements of their regulatory environment, but which had not adequately addressed other outcome measures.

4. Ensuring quality in academic and service provision

- 4.44 This is perhaps, for some HEIs, one of the most potentially controversial outcome indicators of effective governance, notwithstanding the unambiguous responsibility of the governing body, and the explicit duty in post-1992 HEIs to determine educational character. A practical example of this is the concern of some HEIs to the requirement of the Scottish Funding Council that from 2009 courts (governing bodies) should formally approve institutional learning and teaching enhancement strategies. The issue, of course, involves not just academic matters but overall board responsibility for ensuring a satisfactory student experience and the quality of all institutional service provision. Identifying this as a factor by which governing body effectiveness may be assessed in no way diminishes the roles of senates/academic boards or individual academic staff in aspects of academic governance.

⁷⁸ For a discussion on financial health see the forthcoming Leadership Foundation/CUC publication "Getting to Grips With Finance" at www.lfhe.ac.uk/governance

⁷⁹ CUC, (2006,) op cit

- 4.45 This issue is not just of interest in the UK, and Appendix B notes the growth of concern in US universities about board responsibilities in this area. This is relevant for the UK in several ways, not least because the model of governance practised in private US universities has traditionally emphasised (as in UK pre-1992 universities) the separation of corporate and academic issues. However, governing boards are now being encouraged to take a much greater interest in academic quality, for many reasons: demonstrating greater accountability; increasing competitiveness; increasing public scrutiny; and - as Ewell⁸⁰ notes - "ensuring academic quality is a fiduciary responsibility; it is as much part of our role as board members as ensuring that the institution has sufficient resources and is spending them wisely".
- 4.46 Recognising the role of an academic affairs committee as a common (although not required) governing body sub-committee in US universities, Ewell suggests that there is a delicate balance to be maintained in considering what is - and just as importantly what is not - a board responsibility in this area. He identifies five 'principles' to help a university define a board's role in relation to academic quality:
- "Running the curriculum is the faculty's responsibility; the board's role is to remind them of that responsibility".
 - The board must "stay focussed on strategic issues".
 - "The board must expect and demand a culture of evidence" (UK readers need to recognise that national independent quality assurance mechanisms such as those of the Quality Assurance Agency are less well developed in the US).
 - The board must "recognise that evidence about academic quality raises issues but rarely gives final answers".
 - "Make reviewing evidence of academic quality and improvement a regular and expected board level activity".
- 4.47 Such issues have an increasing parallel here (even if the language may not), and paragraph 4.17 notes that the board in one case study HEI has established an educational strategy committee to address just such questions. In addition, governing bodies in a small number of other HEIs are involved in institution wide quality enhancement initiatives. However, this is a developing area, and one where (as the OPM survey data reported in Appendix A demonstrates) governing bodies will need to ensure that they work collaboratively with senates/academic boards. As such few governing bodies are likely to claim that they currently add much value in this area.

5. Effectively assessing risk and supporting innovation

- 4.48 Risk and innovation are two sides of the same coin, and all HEIs are required to have processes in place to control and manage risk, most typically through the audit committee but in some institutions through an additional risk committee. Numerous potential measures exist to assess governing body effectiveness in this area⁸¹, which - of course - need to be closely linked to the related issues of strategy development and financial health noted above. The size and complexity of many HEIs increasingly highlight governing body responsibilities for risk and supporting innovation, and the need for this to be undertaken in a positive rather than a reactive way.

⁸⁰ Ewell PT, (2006), Making the Grade: How Boards Can Ensure Academic Quality, Association of Governing Bodies, Washington

⁸¹ For an overview see the forthcoming Leadership Foundation/CUC publication "Getting to Grips With Risk" at www.lfhe.ac.uk/governance

6. *Enhancing institutional reputation and competitiveness*

- 4.49 This is a related issue to several of those above (developing strategy, ensuring quality and assessing risk) and could be combined with any of them; however it is probably sufficiently distinctive to stand as a category of its own. Most HEIs seek continually to enhance reputation, which is based on perceptions that are built up over a long period. It follows that reputation is held in trust by everyone within an HEI, and that a governing body has a responsibility for protecting and enhancing it. Of course, most UK HEIs understand the importance of reputation quite well, and trade on it all the time. For an illustration look at their websites which will frequently cite some favourable student rating, from sources such as the national student survey or newspaper league tables (the same ones that most HEIs object to when the results are not favourable).
- 4.50 However, governing bodies may not - in practice - take full account of the challenge of enhancing reputation in the face of increasingly strong competition. This challenge is three fold: understanding how and where reputational value is added, and equally how value might easily be lost; understanding the current status and reality of reputation from the perspective of key parties; and understanding how well geared up an HEI is to respond to reputational challenges.

7. *Providing confidence in institutional governance*

- 4.51 There are at least three related elements to this factor: providing internal confidence to staff and students in a collegial environment; providing external confidence to key stakeholder and funders; and providing external confidence to a range of public and private interest groups. One major challenge, of course, is that what provides confidence in governance to these three groups may be very different, and will largely concern the perceptions of self-interest that each has. In all three areas, the OPM survey data draws attention to the need for more attention to these issues in some HEIs if accusations of the remoteness of the governing body (and associated beliefs about excessive managerialism) are to be avoided.
- 4.52 There are important issues here, and Watson⁸² has recently raised a number of concerns about universities 'behaving badly', for example in relation to: potentially misleading marketing, some staffing issues, an overly competitive approaches to internationalisation; and so on. He observes that "like most large, complex organisations in the twenty-first century, they can behave well or badly; and corporately they can choose their destiny". It follows that the governing body has an important role in articulating and then actively ensuring not just that 'bad' behaviour is avoided, but more positively that 'good' corporate behaviour and social responsibility are demonstrated.
- 4.53 The related concept of 'public value' is also relevant here, and includes the role an HEI plays in the local community and how far it has a responsibility to engage with and support the area in which it is located. This featured in several case study interviews, as typified by one respondent noting that "a key role of a university is to increase attainment and support the local economy".

⁸² Watson D, (2008), *Universities Behaving Badly*, Higher Education Review, Vol 40 No 3

8. Constructively supporting and challenging the executive

- 4.54 The need for a governing body both to constructively support and challenge the head of institution and other senior members of the executive is a constant theme in the research on board effectiveness, and was also highlighted in the data collected by OPM. For example, in one of the regional consultative workshops, one governing body chair noted that "in an open and honest governing body, governors (in particular the chair) will feel comfortable taking on another key role: the critical friend. This is important in assuring the governing body is able to challenge and question the executive on issues and makes sure the executive is adequately held to account".
- 4.55 Of course, many governors (particular internal ones) may not feel comfortable in undertaking the role, but as an independent governor observed "fearlessness is crucial, and is underpinned by trust so that you're not afraid to ask a stupid question or to challenge; sometimes people are afraid to challenge but if you have the right atmosphere people are able to challenge without it being personal".
- 4.56 Whilst providing support and advice is a process which enables effective governance (and is therefore part of the board leadership category in the six enabling factors - see paragraph 4.7), the value of the advice and support provided is an output, and therefore rightly placed in this set of factors. For it to be effective it has to be welcomed and valued by the recipient. In her study of the role and background of UK vice-chancellors, Breakwell⁸³ noted the benefits of a productive relationship between the head of institution and chair, and concluded that "managing the relationship properly was fundamentally important to the efficient functioning of the institution" and that "very experienced VCs talked of having established a partnership with their chair".

9. Other key outcomes specific to an HEI

- 4.57 Finally, whilst all of the eight factors above are likely to be generic to all HEI governing bodies, it is possible that some other specific factors crucial to determining board effectiveness will exist in some institutions. For example, at a particular moment a major development project (or similar) may be so central to the work of a governing body, that an HEI wishing to use the approach outlined in this section for assessing effectiveness may need to add a ninth item to the list.

How to assess the outcomes of effective governance

- 4.58 All of the nine outcome categories above could be broken down into extensive lists of possible factors against which effectiveness might be judged. For example, in relation to assessing financial health there are innumerable possible indicators. It is neither feasible nor desirable to try to create such extensive lists in this report; rather, what is required is for each governing body to identify a small number of indicators against which they would wish their performance to be assessed. Some will already be in place (for example, the achievement of the institutional strategy) whereas others may not yet have been considered (for example, possibly in relation to ensuring quality). The rationale here is identical to that concerning the selection of KPIs in the CUC report⁸⁴, and need not be articulated further.
- 4.59 Although such indicators developed by individual governing bodies could be assessed in a number of ways, there is likely to be virtue in adopting as simple a process as possible. The following simple rating approach is therefore proposed for discussion within the sector:
- 1 = No information, or failure to achieve an agreed indicator.
 - 2 = Indicator basically achieved, perhaps with some variation.
 - 3 = Indicator significantly exceeded.

- 4.60 This can also be represented diagrammatically as follows:

⁸³ Breakwell G, (2006), Leadership in education: The case of vice-chancellors. Perspectives, 10 (2)

⁸⁴ CUC, (2006), op cit


OUTCOMES OF EFFECTIVE GOVERNANCE			
1. Ensuring that the strategic plan is achieved			
2. Ensuring that financial health is achieved			
3. Ensuring accountability and regulatory compliance			
4. Ensuring quality in academic and service provision			
5. Effectively assessing risk and supporting innovation			
6. Enhancing institutional reputation and competitiveness			
7. Providing confidence in institutional governance			
8. Constructively supporting and challenging the executive			
9. Other key outcomes specific to an HEI			
	Failure to Achieve Indicator	Indicator Achieved	Indicator Exceeded

- 4.61 Once again it needs to be stressed that there is no suggestion that the use of such an assessment tool should be for anything other than institutional purposes. Indeed the fact that the specific indicators to be used are generated by each governing body, means that comparisons with another board will tend to have meaning primarily only in qualitative terms .
- 4.62 How does this framework relate to the specific question of identifying the value added by governing bodies and the associated question of high performance? The answer lies in the above diagram, but must be a matter for individual governing bodies to assess against supporting evidence. Any governing body with a large number of ratings in the 'failure to achieve or no information' category could make little claim to be adding value or performing highly. Conversely any board with a large number of ratings in the 'indicator exceeded' category could be confident that it was adding value and performing well. Because added value and high performance only have meaning within a specific institutional context, it is therefore perfectly possible to apply the same framework to all HEI governing bodies however large or small the institution. What will differ are the measures which boards choose to base any assessment of outcomes upon.
- 4.63 This framework also makes voluntary and qualitative benchmarking possible between those governing bodies that wish to take part, using an approach similar to that successfully adopted by the ACU. In addition to dealing with process issues (paragraph 4.33) the ACU benchmarking methodology is also capable of qualitatively taking account of outcomes, so may be particularly useful here.
- 4.64 The full framework is shown on the next page and combines both enabling and outcome factors in the same diagram.

FIGURE 3

PROPOSED FRAMEWORK FOR IDENTIFYING THE EFFECTIVENESS OF GOVERNING BODIES IN HEIs

ENABLERS OF EFFECTIVE GOVERNANCE			
1. Effective leadership and governing body dynamics (including the five factors in paragraph 4.8)			
2. Effective governance structures and processes (including the five factors in paragraph 4.15)			
3. Effective governing body membership (including the five factors in paragraph 4.18)			
4. Commitment to vision, organisational culture and values (including the five factors in paragraph 4.20)			
5. Effective performance monitoring and measurement (including the five factors in paragraph 4.23)			
6. Effective information and communication (including the five factors in paragraph 4.26)			
	Assessment of Enablers - Analysis (1 to 3)	Assessment of Enablers - Approach (1 to 3)	Assessment of Enablers - Outcomes (1 to 3)



GOVERNING BODY MATURITY

OUTCOMES OF EFFECTIVE GOVERNANCE

1. Ensuring that the strategic plan is achieved
2. Ensuring that financial health is achieved
3. Ensuring accountability and regulatory compliance
4. Ensuring quality in academic and service provision
5. Effectively assessing risk and supporting innovation
6. Enhancing institutional reputation and competitiveness
7. Providing confidence in institutional governance
8. Constructively supporting and challenging the executive
9. Other key outcomes specific to an HEI

Failure to Achieve Indicator	Indicator Achieved	Indicator Exceeded
------------------------------	--------------------	--------------------

**GOVERNING BODY
ADDED VALUE**

5. CONCLUSIONS, PRACTICAL IMPLICATIONS FOR GOVERNING BODIES, AND EMERGING CHALLENGES

- 5.1 In this short final section, we briefly summarise some of the findings above, suggest a practical way forward for consulting on the approach to identifying governance effectiveness in HEIs set out in the previous pages, and finally identify some of the emerging challenges for governing bodies that arose from the data collection exercise.

Conclusions

- 5.2 The data cited in Section 2 appear to confirm the belief within the higher education sector that it is generally well governed. The Lambert Review whilst making some recommendations for change found examples of excellence, CUC data indicates general institutional implementation of its Code of Governance, the four main higher education funding bodies (whilst encouraging further enhancement in governance) find enough established good practice to pursue conversations about reducing the accountability burden because of general confidence in the sector, and the OPM survey data finds substantial confidence in most aspects of governance surveyed by both governors and members of senior management teams. Individually none of these indicators would be convincing, but taken together they suggest overall confidence in governance in HEIs.
- 5.3 Specific strengths in the HEIs surveyed included: the quality of external membership of the boards concerned; strong identification by board members with the HEI concerned and its best interests; clarity of roles and responsibilities; the high level provision and support provided by many clerks/secretaries to governing bodies; the commitment (in the case study institutions) of heads of institutions to governance; and the support and interest in enhancing governance provided by the funding bodies.
- 5.4 The OPM data suggests the possibility of enhancements for the sampled HEIs (and perhaps others) by: providing better comparative and benchmarked information for governing bodies on comparable organisations; paying more attention on value for money as a specific factor in ensuring financial health; enhancing communications and information flows between governing bodies and academic boards/senates on relevant academic matters and the student experience; enhancing communication about governance and the governing body both within and outside the institution; clarifying arrangements for undertaking and reporting the review of the head of institution and other senior managers; and - where relevant - reviewing whistleblowing processes. Alongside this data, work by Llewellyn identifies a cluster of HEIs with a less strong commitment to the role of the clerk/secretary (and therefore possibly to governance) than others.
- 5.5 However, although the overall position is one of substantial strengths in the processes of institutional governance, there is little systematic evidence of effectiveness as defined in Section 4 or of high performance in boards being documented. In some of the case study HEIs both governors and senior managers (including heads of institutions) made claims for their boards to be effective in terms of the value they added, but without a framework to identify and collect relevant data this view was generally anecdotal. One possible challenge for institutions is to validate such claims both to enhance their own practice, and also to enhance public and stakeholder confidence in governance. Using the framework provided in Section 4 provides one obvious way of doing this.

Practical implications for governing bodies

- 5.6 It is hoped that this report and the proposed framework for identifying effective and high performing governance in HEIs will be the subject of substantial debate, both at and after the Leadership Foundation and CUC summit on 12 February 2009. If the general approach of the framework is supported, further additional work will be required to produce a version which will have practical value for HEIs and which their governing bodies may wish to use.
- 5.7 As such, two very practical outcomes from the study are proposed for discussion:
- First, that working with a sample of volunteer governing bodies, an instrument is piloted to assist institutions in undertaking self-review of their effectiveness within the terms set out in the diagram in paragraph 4.64.
 - Second, again working with a sample of volunteer governing bodies, a collaborative benchmarking group is established using the instrument as finally developed.

Emerging Challenges

- 5.8 The OPM survey data summarised in paragraph 2.23 identified a number of specific governance challenges which are not repeated here. However, a number of other - and more general - governance challenges emerged in data collection, although this is not the place for a full analysis of what is likely to be a very difficult future environment particularly if worst case economic predictions occur. However, some key concerns are summarised below. There is no attempt to be comprehensive, rather just to highlight the key challenges identified.

1) External challenges

- 5.9 There is widespread recognition by governors that the external environment will pose substantial challenges for many HEIs in the next few years. Amongst factors regularly cited were the economic downturn and the implications for funding; potential changes to student demand from a number of well recognised sources; international challenges through increased global competition; staffing pressures of various kinds including salaries and pensions; and so on. In some cases governors believe that this may lead to substantial strategic challenges for HEIs, perhaps leading to mergers or new forms of local partnership. In such cases this is likely to highlight the capacity of governing bodies to provide leadership and add value in what might be unsettling times for some staff and students.

2) Membership challenges for governing bodies

- 5.10 A number of practical issues concerning the membership of governing bodies were raised during the data collection for this study, and particularly in relation to external members. Most pointedly the question was raised 'is the job of an external governor doable as currently conceived?', particularly given the substantial time commitments for those involved. The evidence of the OPM data is that the job is doable - and indeed is being done reasonably well - but some (not all) HEIs are finding it difficult to recruit external members with the right level of experience and expertise (particularly when some other sectors do remunerate). In such circumstances, there is some evidence of HEIs starting to use executive search agencies to recruit external governors (in addition to more established approaches), which whilst having obvious advantages also runs the risk of recruiting board members with a particular - and rather narrow - background.
- 5.11 When coupled with the need to ensure a diverse membership in terms of gender and ethnic background, some HEIs are starting to discuss whether the voluntary principle for external board members should be abandoned and remuneration of some kind introduced. However, the idea is not currently favoured by the CUC which has drawn attention to a number of countervailing

considerations. If it were introduced it would not only be costly (at a time of financial pressure) but also would be likely to change significantly the character of governing bodies. Key raised in discussions include:

- The extent of remuneration, and whether it would be at a full cost or more 'symbolic' level.
- The extent to which the recruitment of a younger and more diverse governing body requires remuneration.
- Whether remuneration should be to an individual or an employing organisation.
- Recognition by institutions of the inevitable changes in board dynamics that would result from remuneration.
- Whether current general institutional 'goodwill' to governors would be threatened by remuneration.
- The views of the Charity Commission.

Whilst a matter for individual institutions, some governors were concerned that the incremental introduction of remuneration would lead to a fragmented position, which lacked consistency and transparency.

3) The suitability of governance structures

- 5.12 A further area of challenge stems from differences of view about the appropriateness of current governance structures. All have been largely inherited, and if there were no regulatory constraints it is difficult to think that any newly formed university would adopt all aspects of the governance structures now generally in place. It follows that some HEIs report wishing to innovate substantially and whilst much of this is likely to be welcomed, some aspects may be controversial, for example the possible adoption of small 'Carver-type' governing bodies that would be quite close in operation to the boards of private sector companies. In general, those taking this view find the current membership of boards too large for effective meetings (even at their reduced size as suggested by the CUC), and also see the membership of staff and students as a constraint on taking a rigorous strategic view of institutional sustainability. However, although potentially more efficient in operation, it is likely that such a board might struggle to convince stakeholder groups of its independence from the university executive.
- 5.13 Conversely, (as noted in Section 2) there remain those that take a completely opposite view, and that is to question the extent to which boards with a majority of external members can ever be informed enough about institutional affairs to provide an adequate check on the executive. In support of this argument they cite the relatively few cases when severe governance problems have occurred in the past, and where it was either internal members or more general protests in the institution that led to action being taken - in some cases by the relevant funding body who had no alternative but to intervene.
- 5.14 The suitability of current structures may also be influenced by two other events. First, the possibility of the de-regulation of HEI governance arrangements as recently suggested by DIUS. Second, and more generally, the likely fallout from the regulatory debacle associated with recent banking and other company failures. Regulatory requirements for at least some of the private sector are likely to change - perhaps substantially - and it is difficult to believe that there will not be implications for the public and not-for-profit sectors, just as in the USA with the - perhaps unintended - consequences of the Sarbanes-Oxley Act.

APPENDIX A

A1 The Office of Public Management (OPM) was commissioned by the Leadership Foundation and CUC to undertake a survey of the effectiveness of governing bodies of HEIs. The survey was based on an adapted version of an existing instrument used by the Audit Commission, and derived from the 'Good Governance Standard' and developed by the Independent Commission for Good Governance in Public Services, chaired by Sir Alan Langlands⁸⁵. The Standard, and the associated survey, were divided into six main sections concerning the role and performance of the governing body:

- Institutional purpose, mission and strategic outcomes for key stakeholders.
- Effective performance in clearly defined functions and roles.
- Promoting institutional values and demonstrating good governance.
- Taking informed, transparent decisions and managing risk.
- Developing the capacity and capability of the governing body.
- Engaging students, staff and other stakeholders, partnership working, and making accountability real.

A2 Almost all the text of this Appendix was supplied by OPM, and where they made specific conclusions or observations these have been noted. Only key issues resulting from the survey are summarised, and the full results are presented at the end.

Overview

A3 The results broadly suggest that the higher education sector compares favourably with local government and health sectors in terms of the existing quality of governance, and strengthen the argument that the sector is internally perceived to be well governed. Whilst these are not the most comparable sectors to higher education, they are the ones that OPM have most current information about. In particular, the answers to questions about understanding the responsibilities of governing bodies, undertaking their strategic role, and the existence of constructive working relationships between governors and senior managers, demonstrate high levels of satisfaction. However, a few areas of challenge for HEIs are evident from the survey data, in particular: the need to enhance internal and external communication and relationships (including in many cases with the senate or academic board); to promote more effective performance monitoring (both for boards as a whole and for individual governors); and to enhance the availability of comparative performance data through benchmarking.

Methodology

A4 Twenty seven HEIs participated in the survey (approximately 15% of the total). Institutions were selected to meet a number of criteria: a mix of pre-and-post 1992 institutions including members of Guild HE and the Russell Group; different institutional size; varying geographical locations; and - crucially - willingness to participate. The latter was important in that participation involved governors and members of SMT being willing to complete a lengthy online survey, and therefore the participation of each institution had to be agreed by the chair of the governing body and mediated through the clerk or secretary.

⁸⁵ OPM, (2005), Langlands Commission, The Good Governance Standard in Public Services, at www.opm.co.uk

- A5 It was never intended by the Leadership Foundation or CUC that the sample of HEIs involved would necessarily be representative of the sector as a whole (notwithstanding the comments about a highly diverse sector made in Section 1), rather that it would throw light on what constituted effective governance amongst those HEIs most willing to be involved. Moreover, any study of effective governance which seeks to identify good or innovative practice needs to be based on those institutions willing to be involved, which are probably also those most aware of the challenges facing governance within the sector. To state the obvious: if a survey seeks to identify good practice, then there is little point in surveying those who do not see themselves within this group. It follows that the results of the OPM survey should not be regarded as representative of the sector as whole, but rather of a substantial sample of HEIs who regard effective governance as important enough to them to devote substantial resources in governor and management time to participate.
- A6 From an institutional perspective it needs to be recognised that there was a substantial benefit from involvement in the survey in that each institution received from OPM responses to the survey from its own governors and SMT members. This enabled it to compare responses from these two groups and explore the issues arising; and also compare their overall institutional responses with those for the 27 participating HEIs as a whole. This potential for benchmarking means that the raw data resulting from the survey is only a starting point which should prompt further discussion within individual institutions.
- A7 Within each participating HEI, invitations to participate were sent to all members of the governing body and SMT (as defined by the institution) via the clerk/secretary to the governing body, with instructions to complete the survey online. The numbers of responses received are outlined below. Assuming there is a maximum potential pool of 24 governors per institution excluding the vice-chancellor (the benchmarked figure in the CUC Code of Practice) or 648 potential governor respondents in total, this represents a minimum governor response rate of 45% (in fact the actual number of available respondents was less due to an unknown number of unfilled vacancies and absences). A matching version of the survey was completed by members of the SMT, thus enabling comparisons to be made about perceptions of governor effectiveness, both generally and within individual HEIs.

	OVERALL RESPONSES	OVERALL APPROXIMATE RESPONSE RATE
Governors	294	45%
Senior managers	131	55%
Total	495	47%

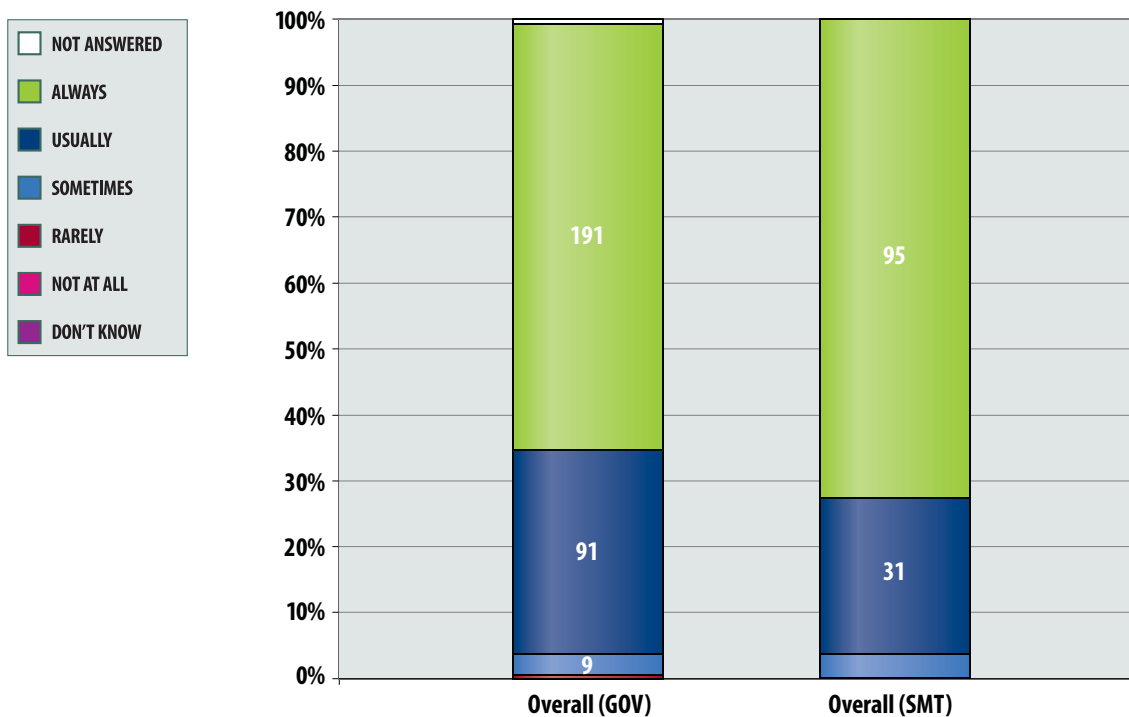
- A8 The HEIs participating were: St Mary's University College; University of Leeds; University of Bedfordshire; University of Manchester; Cardiff University; Middlesex University; University of Wales, Newport; Harper Adams University College; Bishop Grosseteste University College; Glyndwr University; University of Strathclyde; University of Portsmouth; Napier University; University of Central Lancashire; Royal Holloway, University of London; University College London; University of Glamorgan; University of Cumbria; London South Bank University; University of Exeter; University of Wales Institute, Cardiff; University of Brighton; University of Wolverhampton; Leeds Metropolitan University; Thames Valley University; University of Bradford; and Sheffield Hallam University.

A9 Two further caveats need to be made about the data. First, although the data enables comparisons to be made between responses by governors and senior managers, it does not permit comparisons between different types of senior managers (eg the clerk/secretary and the vice-chancellor) or different types of governor (eg student governors and lay governors). Although this data was requested, the resulting sample sizes were generally too small to draw valid conclusions. Second, although a valuable source of information, satisfaction data may not necessarily be a good indicator of absolute measures of governance effectiveness, and it is possible to conceive of a governing body where members may be reasonably satisfied but where in comparative terms good practice may not be consistently demonstrated. This is not a criticism of satisfaction based surveys as such, but rather a reminder that satisfaction is only one dimension - albeit an important one - of determining overall effectiveness.

Survey results: (a) the effectiveness of the governing body in its focus on the institution’s purpose, mission and strategic outcomes

A10 The survey asked 13 questions designed to explore the role and performance of the governing body in relation to its strategic responsibilities. Generally the survey responses demonstrated that governors and senior managers were clear about their responsibilities for approving the strategy and the outcomes their HEI was trying to achieve, as set out in Chart 1. Both 96% of governors and 96% of senior managers reported they were ‘usually’ or ‘always’ clear about the strategic outcomes they were trying to achieve. OPM conclude that this reflects well on the higher education sector when compared with data from local authorities (for example, when local authority members completing a similar survey were asked whether they were ‘clear about the outcomes [their] organisation is trying to achieve’ only 28.4% answered ‘always’⁸⁶). The NHS performed better, with 50% of non-executive directors and 62.9% of senior managers answering ‘always’ to the same question, and the remaining 50% of non-executive directors answering ‘usually’⁸⁷.

CHART 1: QUESTION - I AM CLEAR ABOUT THE STRATEGIC OUTCOMES MY HEI IS TRYING TO ACHIEVE

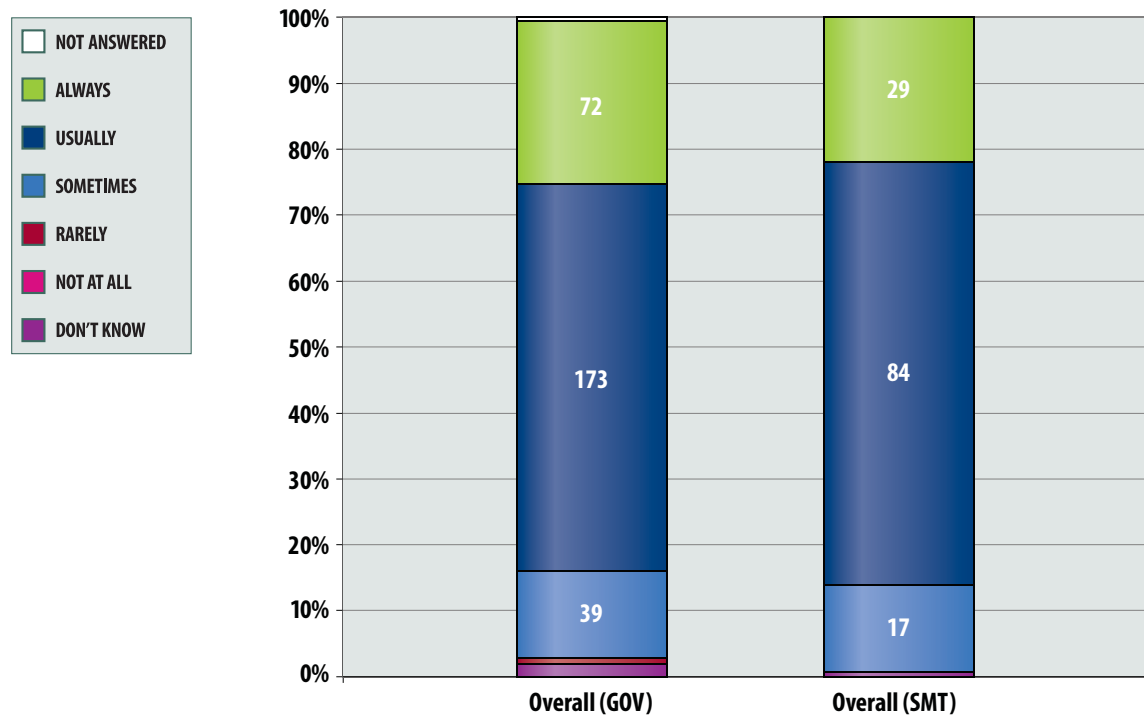


⁸⁶ Audit Commission, Good Governance Survey for Members and Staff in Local Authorities

⁸⁷ Audit Commission, Good Governance Survey for Non-executive Directors and Senior Managers in the NHS

A11 However, when governors and senior managers were asked how confident they were that their institution was achieving these strategic outcomes, results were slightly lower with 75% of governors and 78% of senior managers reporting only 'sometimes' or 'usually' as set out in Chart 2. These results do not differ significantly for those from other sectors, with 76.1% of local authority members⁸⁸ and 82.4% of NHS non-executive members reporting that their institutions only 'sometimes' or 'usually' achieve their outcomes⁸⁹. Nonetheless, OPM observe that this is an area possibly warranting further discussion about the effectiveness of mechanisms for achieving strategic outcomes. It also raises an important issue for the authors of this report (see Section 4 of the main report) in that the effectiveness of governance as defined in terms of outcomes is not the same as effectiveness defined in terms of processes being in place through which governance can be exercised.

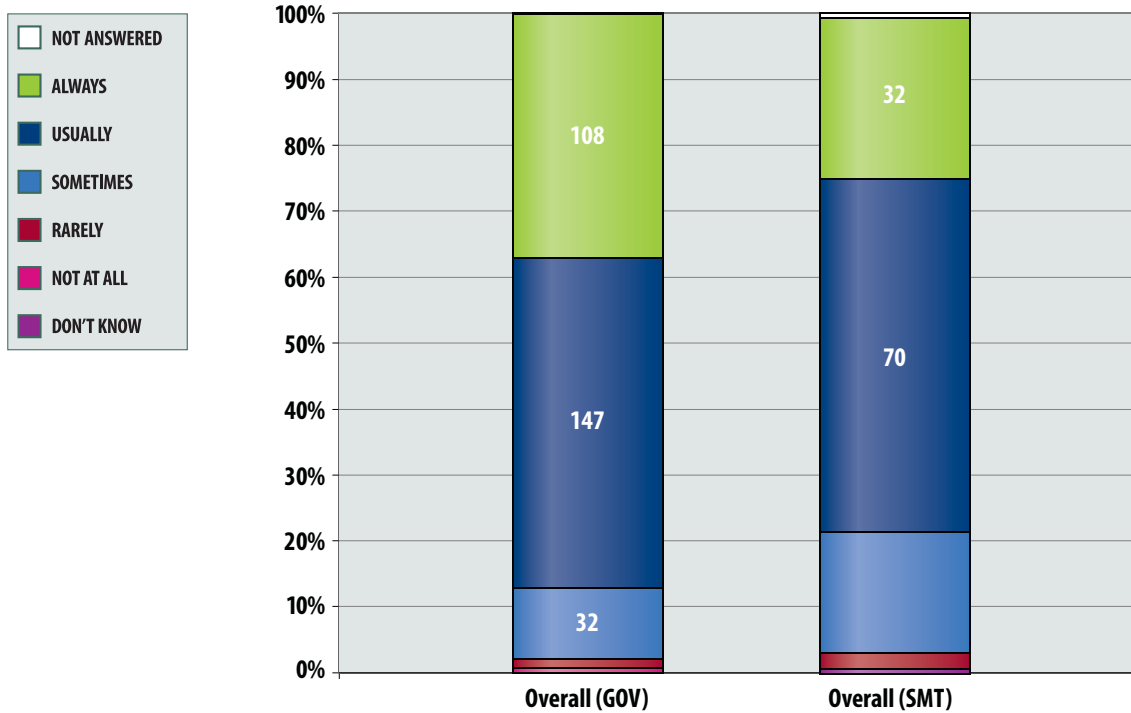
CHART 2: QUESTION - I AM CONFIDENT THAT MY INSTITUTION IS ACHIEVING ITS STRATEGIC OUTCOMES



A12 An important issue for governing bodies is the extent to which they prioritise discussions on strategic issues, and the survey asked whether governors and senior managers had confidence that the governing body and its committees focused on achieving better strategic outcomes when making decisions. Overall, the results in Chart 3 suggest that this confidence does exist, but with a slight difference in perception between the two groups, with 37% of governors but only 25% of senior managers reporting that this was 'always' the case. This slight difference in perception might usefully be explored, and might indicate a management view that the governing bodies sampled were being slightly less strategic than perceived by the board.

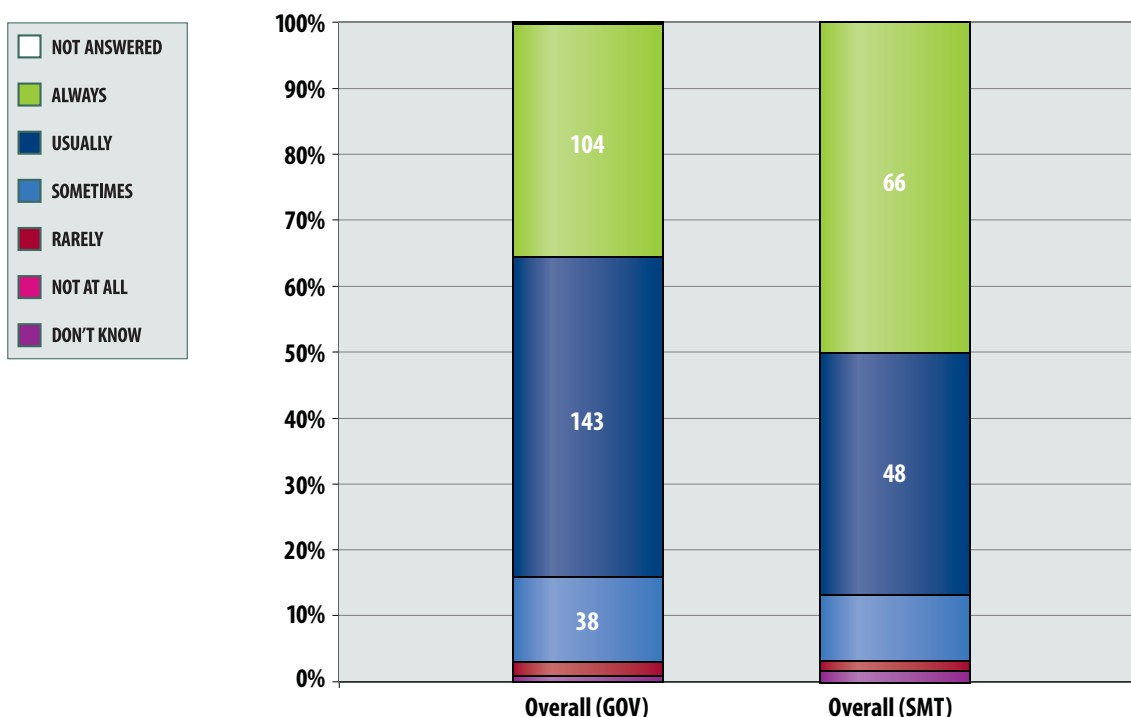
⁸⁸ Audit Commission, see footnote 86
⁸⁹ Audit Commission, see footnote 87

CHART 3: QUESTION - MY GOVERNING BODY AND ITS COMMITTEES FOCUS ON ACHIEVING BETTER STRATEGIC OUTCOMES WHEN MAKING DECISIONS



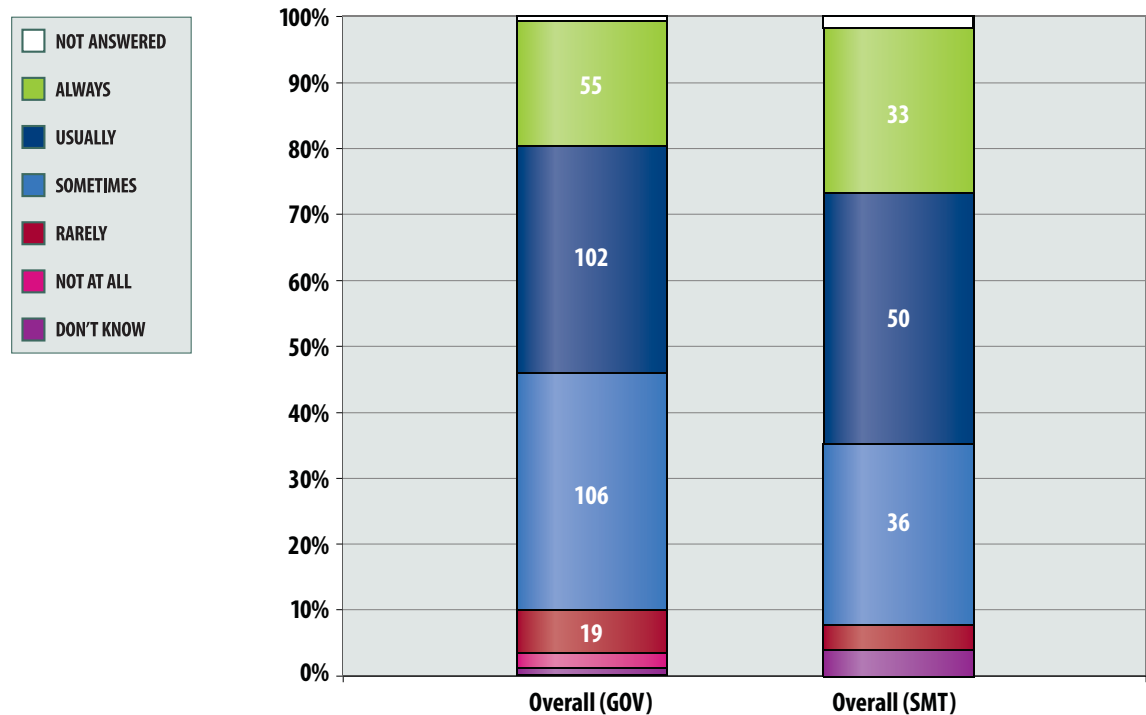
A13 The provision of robust and timely information is a prerequisite for effective governance, and the survey asked several questions about different kinds of information for different purposes. Overall, the provision of information was rated favourably, for example 84% of governors and 88% of senior managers 'usually' or 'always' reported that they received essential information to monitor performance (as shown in Chart 4).

CHART 4: QUESTION - THE GOVERNING BODY AND ITS COMMITTEES RECEIVE USEFUL MANAGEMENT INFORMATION TO HELP MONITOR INSTITUTIONAL PERFORMANCE



A14 There were two areas where both governors and senior managers were less confident about the availability and use of information. The first concerned benchmarking: when respondents were asked whether they received useful information to benchmark institutional performance against other institutions, 46% of governors and 35% of senior managers answered 'don't know', 'not at all', 'rarely' or 'sometimes' as shown in Chart 5. The second concerns the specific issue of using management information to improve value for money (Chart 6). Here, in excess of 30% of governors and senior managers 'sometimes', 'rarely' or didn't use information at all for VfM purposes. OPM consider that this finding suggests that governing bodies may need to pay more attention to monitoring value for money, if they are to achieve overall effectiveness. Whilst this may be true there are also other possibilities, for example, that the work of the audit committee (which has major VfM responsibilities) is not well enough known to all board members. However, OPM note that the higher education sector appears to outperform the health and local government sectors in terms of using management information to improve value for money, with 49% of local authority members⁹⁰ and 58% of NHS non-executive directors and 54% of senior managers answering 'sometimes', 'rarely', 'never' or 'don't know' to the same question⁹¹.

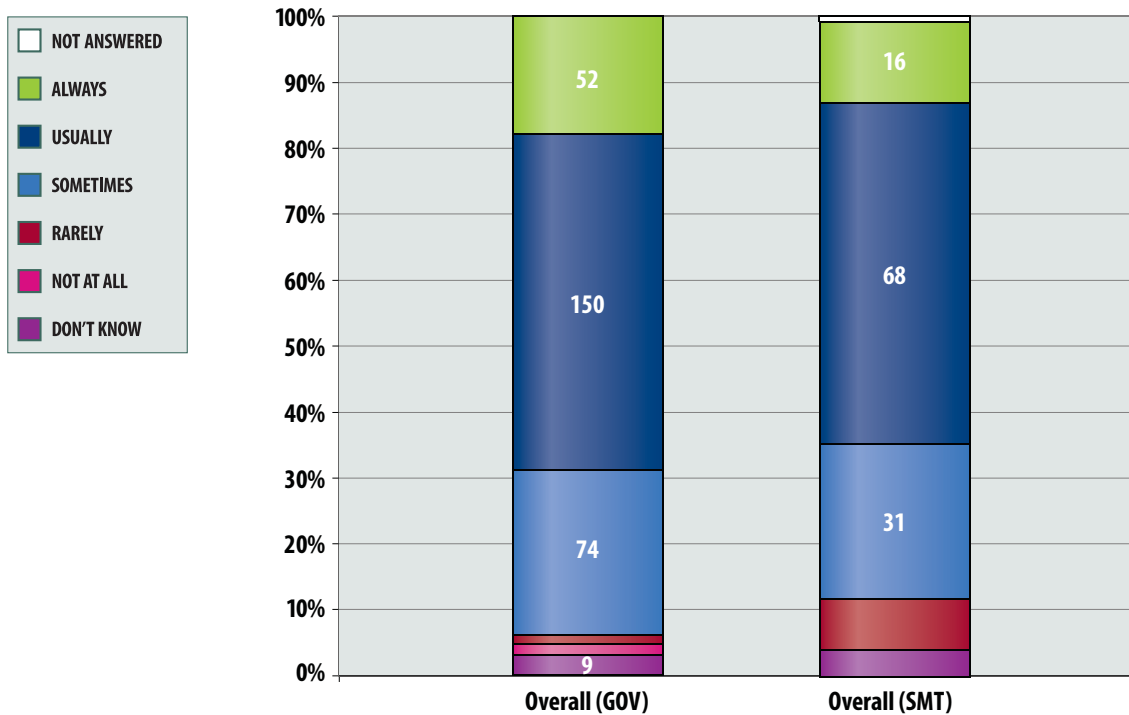
CHART 5: QUESTION - THE GOVERNING BODY AND ITS COMMITTEES RECEIVE USEFUL INFORMATION TO BENCHMARK INSTITUTIONAL PERFORMANCE AGAINST OTHER INSTITUTIONS



⁹⁰ Audit Commission, see footnote 86

⁹¹ Audit Commission, see footnote 87

CHART 6: QUESTION - THE GOVERNING BODY AND ITS COMMITTEES ARE EFFECTIVE AT USING MANAGEMENT INFORMATION ON THE QUALITY OF THE HEI'S ACTIVITIES TO IMPROVE VALUE FOR MONEY



A15 Overall, OPM conclude that with the exception of some mixed reactions to questions on value for money and benchmarking, governors and senior managers were generally confident that the governing body had sufficient focus on the institution's purpose, mission and strategic outcomes for key stakeholders.

Survey results: effective performance in clearly defined functions and roles

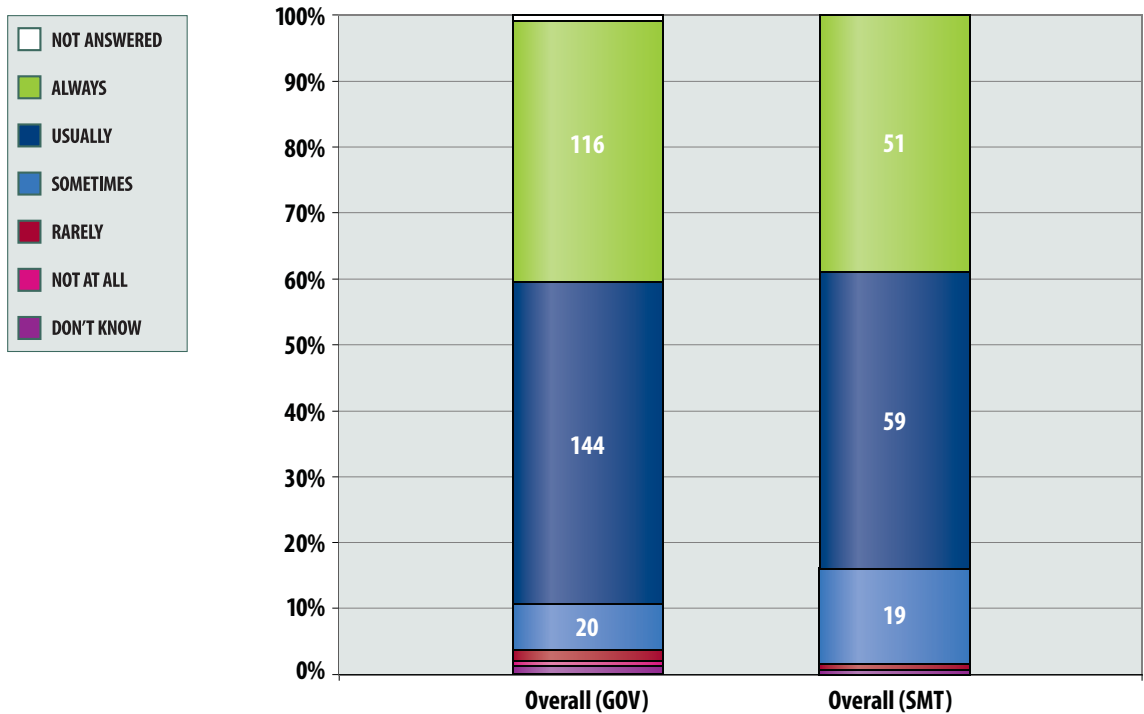
A16 The second part of the OPM survey pursued issues concerning how individual governors and the board overall both understood and undertook their roles and responsibilities. Overall, OPM conclude that there is a high level of clarity about the governing board's roles and functions, for example 98% of governors and 95% of senior managers felt they understood the 'main functions' of the governing body and its committees. There is also clarity about where responsibility lies for key decisions with 96% and 90% of governors and senior managers respectively reporting that they thought the governing body's primary statement of responsibilities accurately reflected its actual responsibilities. There were similarly positive responses to questions concerning clarity of understanding of the roles of the chair of the governing body, the vice-chancellor or principal, and the clerk/secretary.

A17 In this section, the survey also asked a number of questions concerning the working relationships between the governing body and others, including the SMT, the academic board/senate, and more generally staff and students within the institution as a whole. The survey results (Chart 7) report that there are constructive relations between governors and senior managers, with 89% of governors and 83% of senior managers reporting 'usually' or 'always' in response to being asked whether 'there are constructive working relationships between governors and the senior management team'. A small percentage, 8% of governors and 15% of senior managers, reported 'sometimes'. These results are similar to those for the NHS and local government, with 88% and 83% of non-executive directors

and members respectively reporting that there were 'usually' or 'always' constructive working relationships between members and senior managers⁹². A comparison of results from senior managers also shows parity between sectors, with 75% of senior managers in the NHS reporting there are 'always' or 'usually' constructive working relationships between non-executive directors and senior managers⁹³.

A18 A particular issue concerning governing body and executive working relationships is the requirement that governing bodies undertake a review of the performance of the vice-chancellor as head of institution. This is usually done by the remuneration committee, and practice varies on whether or not the outcome is reported to the governing body. It is therefore, perhaps, not surprising that in relation to this, 32% of governors 'didn't know', 'not at all', or 'rarely' or only 'sometimes' thought that a regular performance review of the head of institution was conducted (see Chart 8). Not surprisingly this contrasts sharply with the perception of senior managers, and does, perhaps, suggest that some HEIs may need to be more transparent in informing governors about the arrangements for the review of the vice-chancellor and other senior managers.

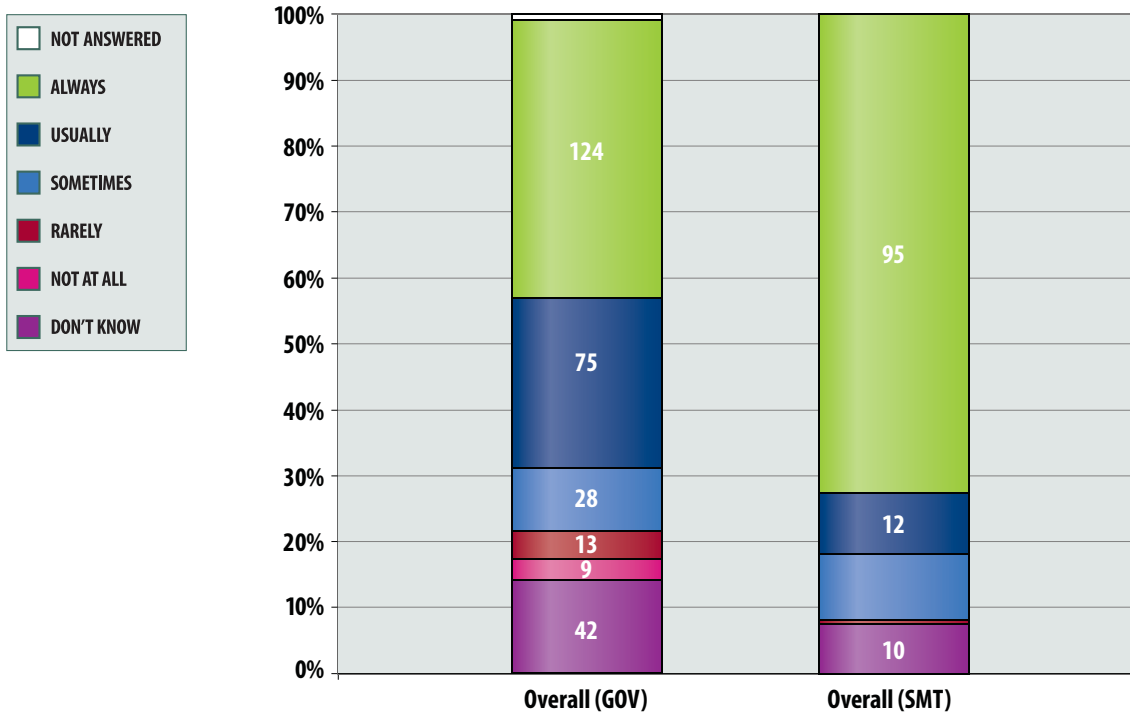
CHART 7: QUESTION - THERE ARE CONSTRUCTIVE WORKING RELATIONSHIPS BETWEEN GOVERNORS AND THE SENIOR MANAGEMENT TEAM



⁹² Audit Commission, see footnote 86

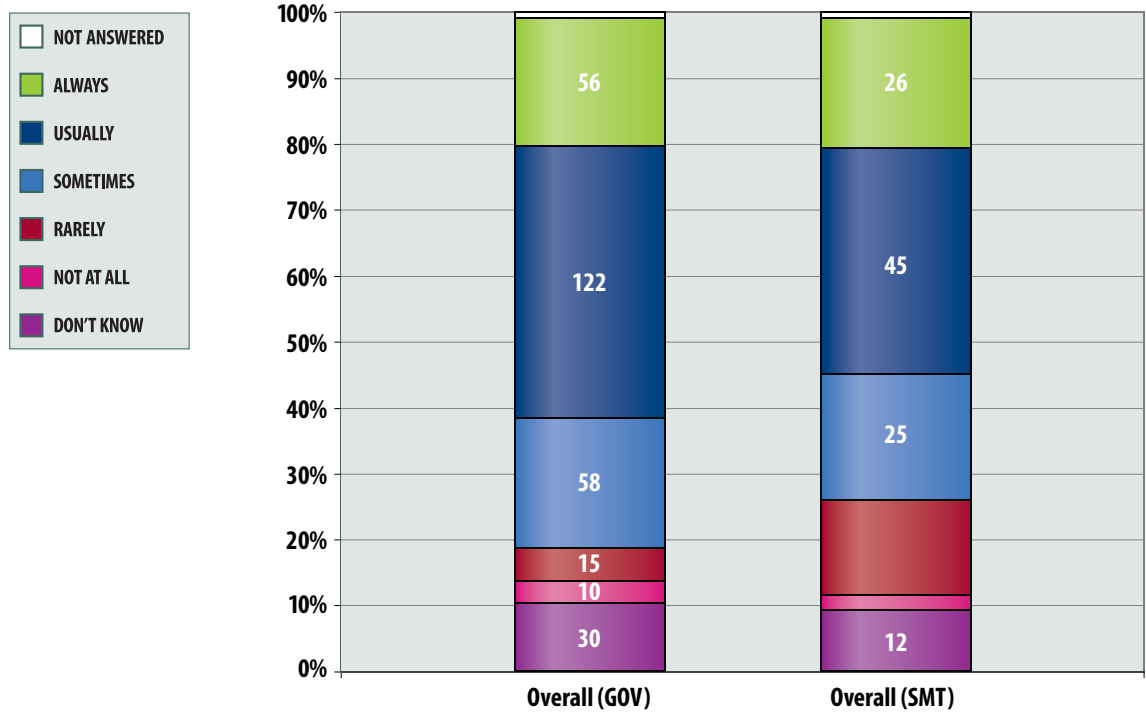
⁹³ Audit Commission, see footnote 87

CHART 8: QUESTION - THE GOVERNING BODY REGULARLY REVIEWS THE PERFORMANCE OF THE HEAD OF INSTITUTION



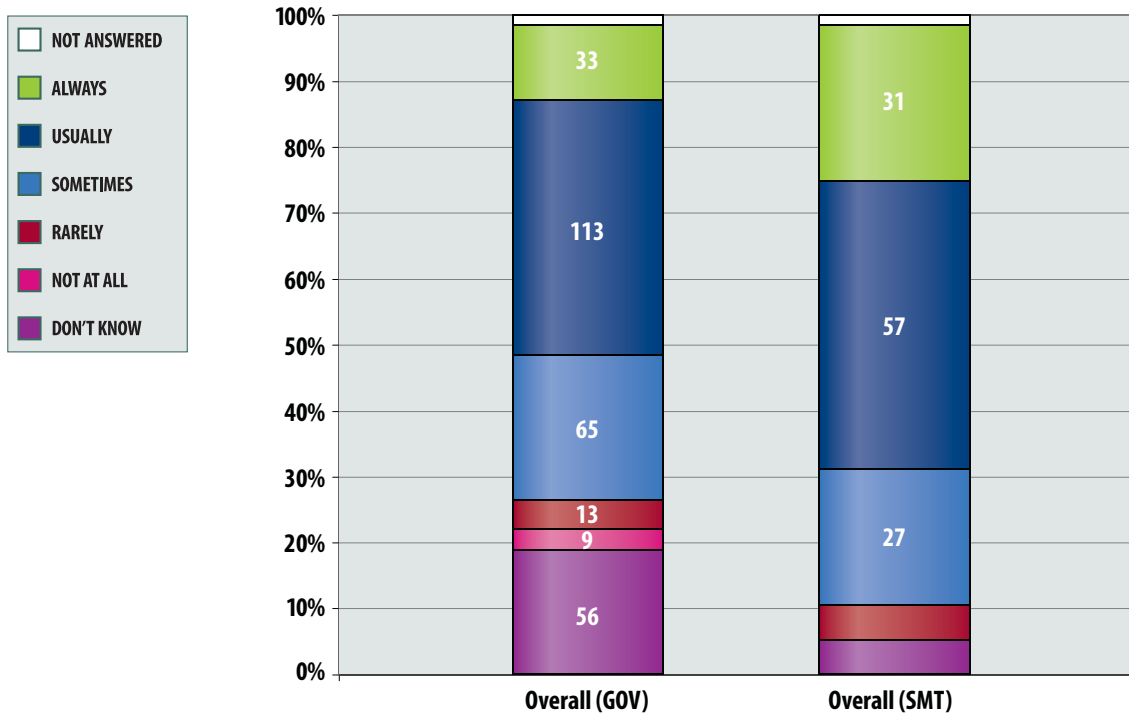
A19 The survey sought responses on the extent to which a constructive working relationship exists between the governing body and the academic board or senate. The figures in Chart 9 demonstrate that a relatively high proportion of respondents (45% of senior managers and 38% of governors) reported that they ‘don’t know’, or that there were ‘not at all’, or ‘rarely’ or ‘sometimes’ constructive working relationships between the two bodies. There are, in practice, very different forms of relationship between these two bodies within HEIs, ranging on the one hand from some joint membership in some HEIs and the existence of joint committees, through to almost no contact in some other HEIs whereby not even minutes of the academic board/senate go to the governing body. OPM suggest that this is an area requiring attention, and it would certainly appear difficult for HEIs to undertake effectively their responsibility for determining educational; character (whether formally defined or not) in such circumstances.

CHART 9: QUESTION - THERE ARE CONSTRUCTIVE WORKING RELATIONSHIPS BETWEEN THE GOVERNING BODY AND THE ACADEMIC BOARD/SENATE



A20 Finally in this section, the data suggest that there may be an area of concern about relationships between the governing body and staff, in that Chart 10 identifies that 48% of governors and 32% of senior managers answered 'sometimes', 'rarely', 'not at all' or 'don't know' to a question about whether staff in the HEI know what the governing body is responsible for. Two contradictory conclusions can be drawn from this data: that such lack of awareness of the role of the board is indicative of poor communication which needs to be addressed, or that in reality most staff are unlikely to be interested in the work of the governing body. Clearly, underpinning these comments is a whole set of issues about how governing body discussions and papers are made available (or not) within the institution as a whole.

CHART 10: QUESTION - STAFF KNOW WHAT THE GOVERNING BODY IS RESPONSIBLE FOR IN MY INSTITUTION



A21 Overall, responses to the questions in this section demonstrate that governors and senior managers think the governing body performs effectively in clearly defined functions and roles, and that it has a generally clear understanding of what it should be doing. However, data suggest that some aspects of working relationships may be under-developed, particularly in relation to relationships with the academic board/senate, knowledge of the performance review of the head of institution, and the extent to which staff generally understand the responsibilities of the governing body.

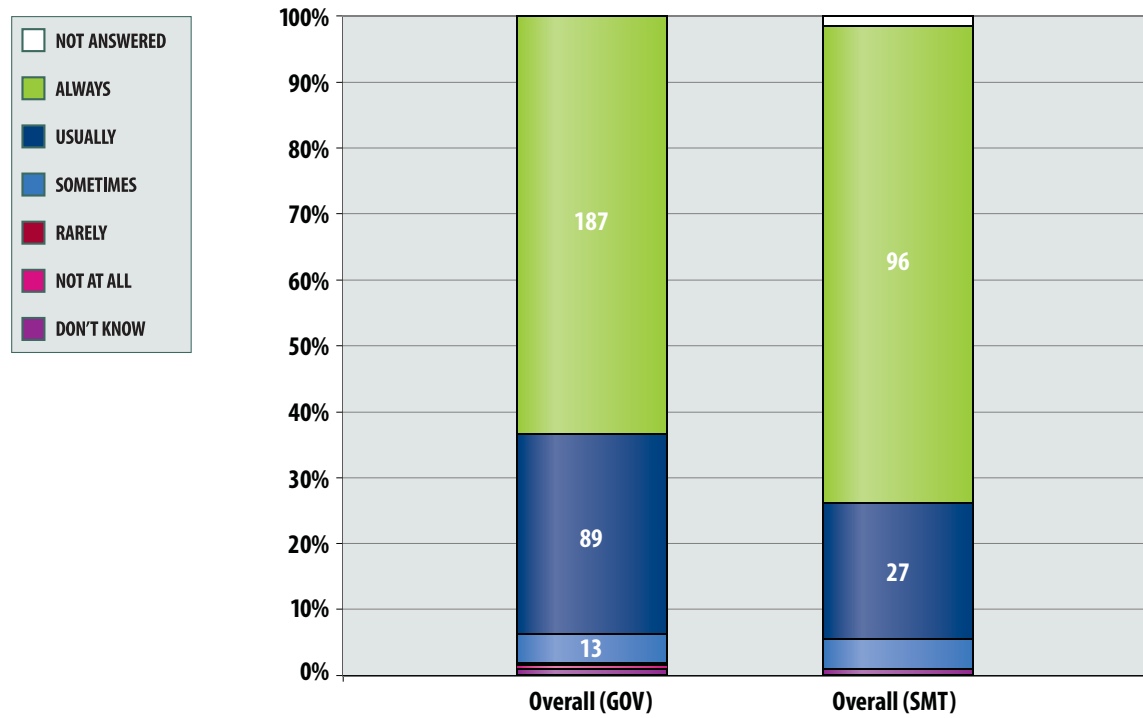
Survey results: promoting institutional values and demonstrating good governance

A22 In this section the survey asked nine questions designed to explore how far good governance values are promoted, enacted and understood by the governing body. OPM conclude that the results suggest overall clarity about the values of the institutions concerned, and the contribution the governing board makes to these values. In particular, 94% of governors and 95% of senior managers report that they are clear about the values of their institution and how they relate to their role - see Chart 11.

A23 Similarly 98% of governors and 86% of senior managers felt that the governing body 'always' or 'usually' reinforces the academic values of their institution. This is particularly significant when considering the potential tensions between corporate governance and academic values. Diversity also appeared to be less of a concern than is sometimes suggested in literature, with 78% of governors and 82% of senior managers replying that 'diversity is effectively managed throughout the institution'.

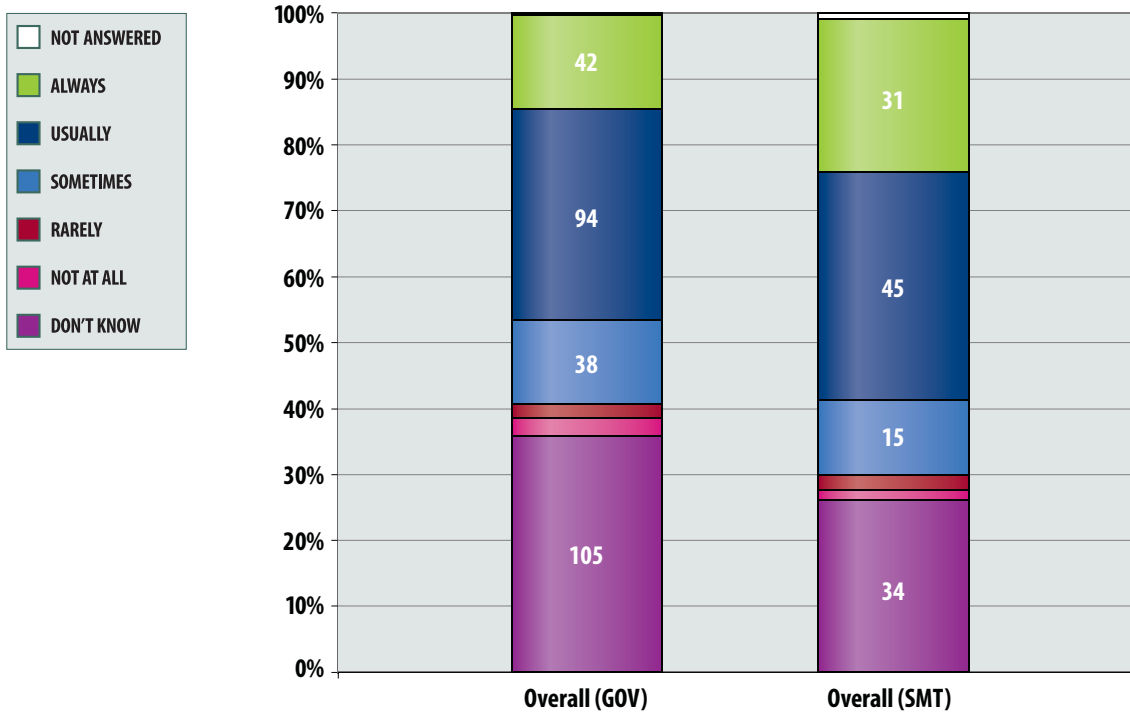
A24 The only area in this section where there may be evidence of an issue to address, appears to be notable concerns about the effectiveness of 'whistleblowing policies'. As shown in Chart 12, 36% of governors and 26% of senior managers said they 'don't know' whether their institution's whistleblowing policy was effective at bringing out issues of concern. This contrasts quite considerably with the NHS, where only 16% of NHS non-executive directors answered 'don't know' to the same question⁹⁴. The reasons for this result are not clear, although it may be that the relatively collegial nature of much decision making means that whistleblowing is not quite such a significant issue for HEIs as for some other organisations. However, individual HEIs might usefully review their own processes to ensure fitness for purpose.

CHART 11: QUESTION - I AM CLEAR ABOUT THE VALUES OF MY INSTITUTION AND HOW THEY RELATE TO MY ROLE AS A GOVERNOR



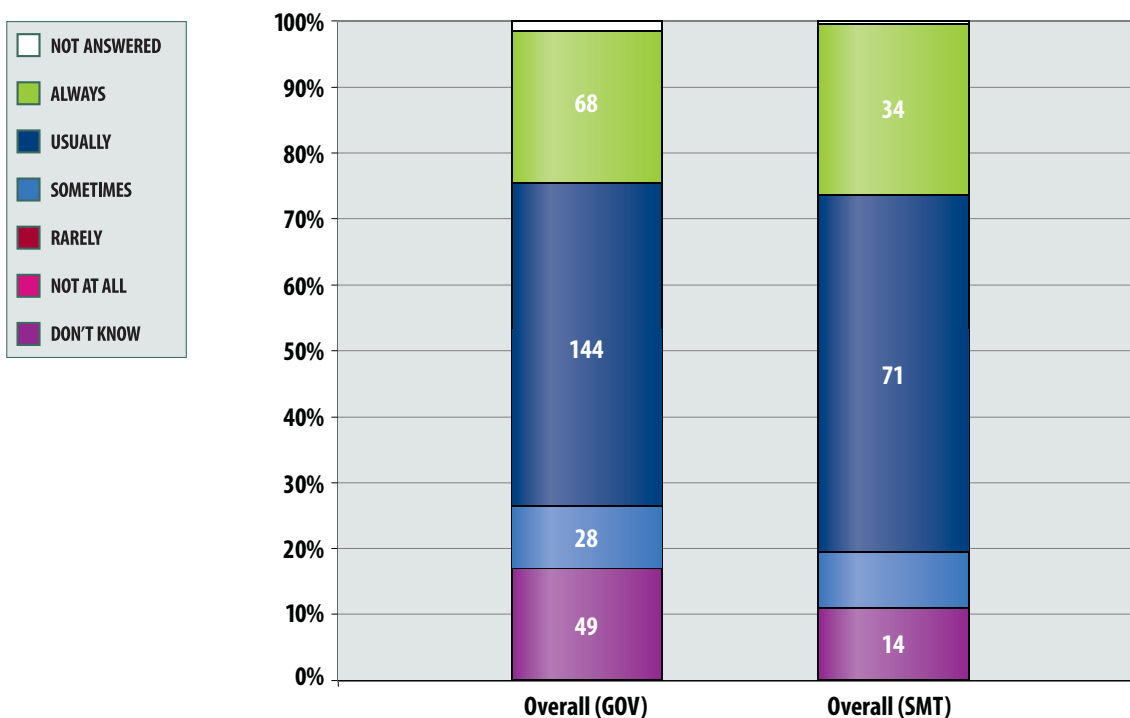
⁹⁴ Audit Commission, see footnote 87

CHART 12: QUESTION - MY INSTITUTION'S WHISTLEBLOWING POLICY IS EFFECTIVE AT BRINGING OUT ISSUES OF CONCERN



A25 Finally in this section, there were also slightly mixed responses from governors and senior managers replying to a question about whether 'external stakeholders have confidence in the values which guide my institution's work'. Chart 13 shows that 17% of governors and 11% of senior managers answered 'don't know', and whilst this does not suggest that external stakeholders do not have confidence in the values that guide an institution's work, OPM suggest that this might indicate that there is more work to be done on communicating these values.

CHART 12: QUESTION - EXTERNAL STAKEHOLDERS HAVE CONFIDENCE IN THE VALUES WHICH GUIDE MY INSTITUTION'S WORK

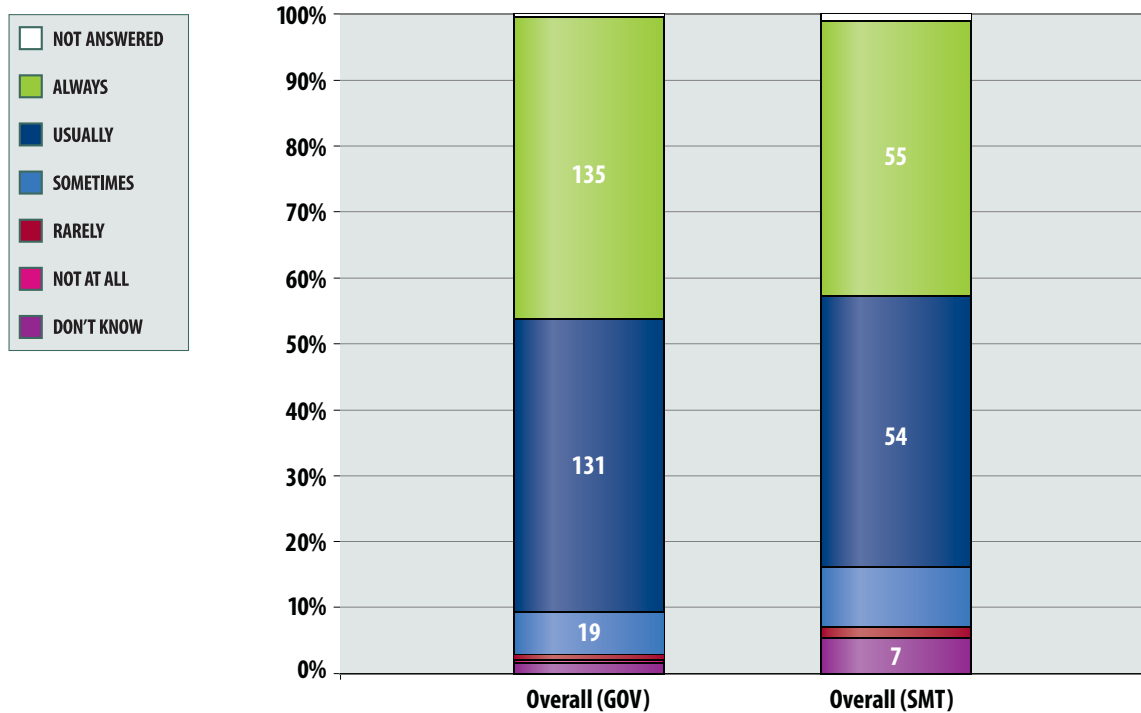


A26 Overall, this section demonstrates that governors and senior managers are generally satisfied with the way that values are understood by governors and promoted. However, possible challenges identified the effectiveness of the current whistleblowing policy, and awareness of the confidence that external stakeholders have in understanding the values guiding the institution. OPM conclude that both these questions may warrant further discussion.

Survey results: taking informed, transparent decisions and managing risk

A27 The survey asked 13 questions in this section, designed to explore how a governing body makes decisions in terms of information, risk and accountability and transparency. In general, OPM conclude that there is a good understanding of delegation arrangements by governors and senior managers, and that governors take appropriate advice to inform decision making. For example, 91% of governors reported that they ‘always’ or ‘sometimes’ take appropriate advice to inform their decision making, with 84% of senior managers agreeing. This is set out in Chart 13.

CHART 13: QUESTION - GOVERNORS TAKE APPROPRIATE ADVICE TO INFORM THEIR DECISION MAKING



A28 Governors and senior managers also expressed confidence in the effectiveness of audit processes, with 95% of governors and 96% of senior managers reporting that ‘there are effective arrangements, including audit, to oversee financial processes’ and that there were effective arrangements to challenge key issues. Most respondents reported that the approach to risk management was also effective with only 9% of governors and 5% of senior managers reporting ‘sometimes’, ‘rarely’ or ‘don’t know’.

A29 However, the survey results did suggest some issues around communication. In relation to communicating relevant key decisions to external stakeholders, 23% of senior managers and 16% of governors reported that key decisions were 'not at all', 'rarely' or only 'sometimes' reported (see Chart 14). There may be numerous reasons for this, including the perceived need to protect institutional autonomy, but ensuring good relationships with relevant funding bodies is also a responsibility of the governing body. Perhaps more worryingly, a higher percentage of both senior managers and governors had reservations about how easy it was for members of their institution to find out about key decisions that have been made by the governing body, with 34% of governors and 35% of senior managers answering 'don't know', 'not at all', 'rarely' or 'sometimes' (see Chart 15). This need to ensure greater transparency is an issue that HEIs may want to address.

CHART 14: QUESTION - IT IS EASY FOR EXTERNAL STAKEHOLDERS TO FIND OUT ABOUT RELEVANT KEY DECISIONS MADE BY THE GOVERNING BODY

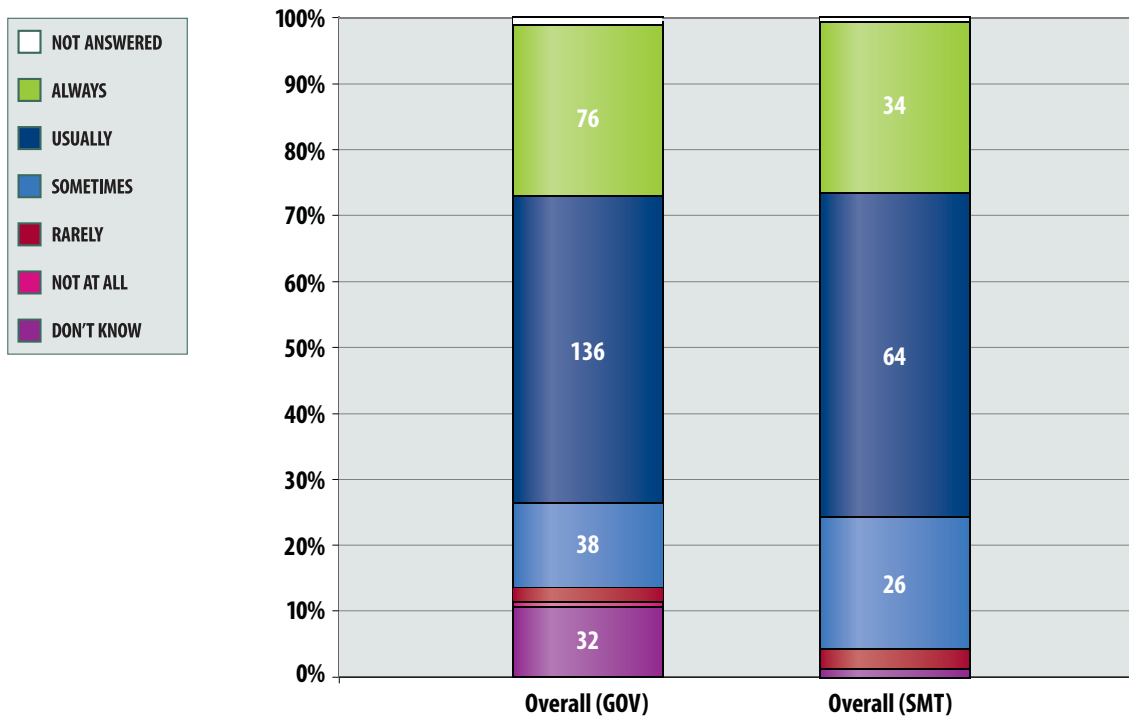
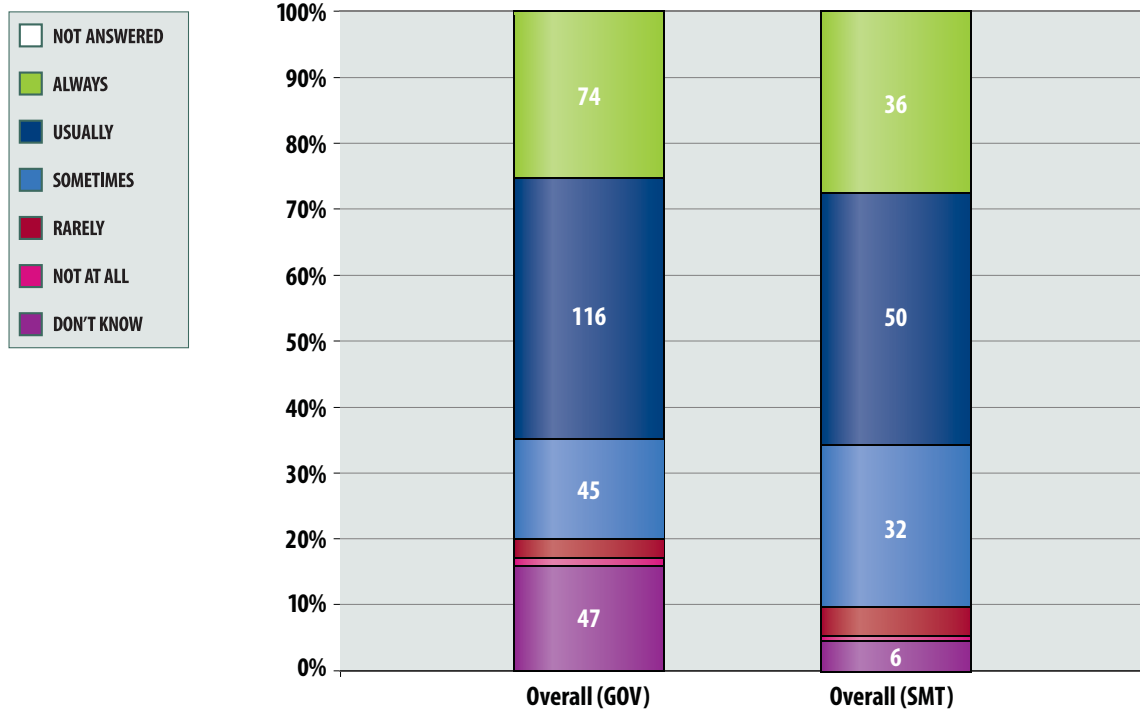


CHART 15: QUESTION - IT IS EASY FOR MEMBERS OF THE INSTITUTION TO FIND OUT ABOUT KEY DECISIONS MADE BY THE GOVERNING BODY



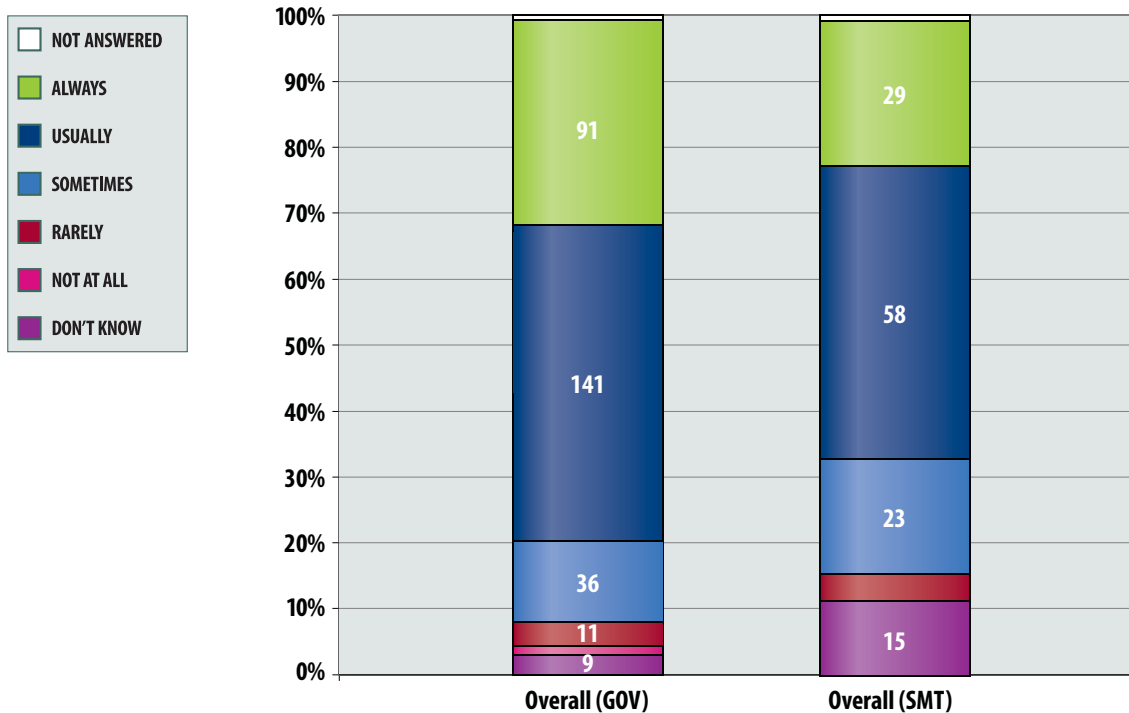
A30 Overall, OPM conclude that the responses to this section of the survey demonstrate that senior managers and governors perceive that processes for governing body decision making and ensuring risk management are sound. Appropriate advice is sought for making decisions, delegation arrangements are generally understood, and advice given to governors by senior managers is thought to be appropriate. Areas of possible challenge focus on communication, to both stakeholders and members of the institution.

Survey results: developing the capacity and capability of the governing body to be effective

A31 The survey asked 10 questions in this section designed to explore a number of key membership issues including the skills range, experience and variability of background of governors. In general, respondents were satisfied about the composition of governing bodies, and 88% of governors and 78% of senior managers agreed that governors 'usually' or 'always' had the appropriate skills, and 92% of governors and 87% of senior managers reported that there was 'always' or 'usually' the right balance between longstanding and new governors. Respondents were less emphatic when asked about diversity on the governing body and about representation from a broad cross section of society. Over 20% of governors and over 30% of senior managers only 'sometimes', 'rarely' or 'didn't know' whether the appointments process identified governors from a 'wide cross section of society' (see Chart 16). However, these results compare favourably with the parallel surveys cited by OPM, for example local government members and senior managers reported more significant concerns in their surveys, with over 50% of members and over 60% of staff answering 'sometimes', 'rarely' or 'don't know' to a similar question⁹⁵.

⁹⁵ Audit Commission, see footnote 86

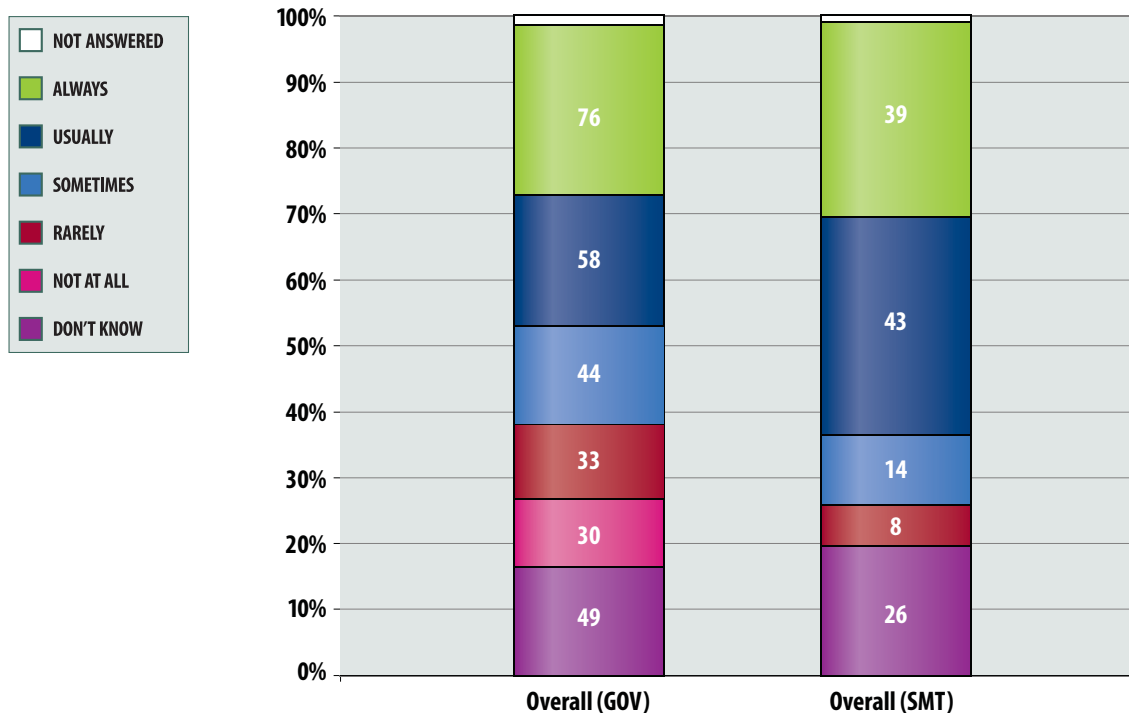
CHART 16: QUESTION - THE APPOINTMENT PROCESS FOR A GOVERNOR IDENTIFIES SUITABLY QUALIFIED PEOPLE FROM A WIDE CROSS SECTION OF SOCIETY



A32 In terms of governor development, results were generally encouraging, with 78% of governors and 75% of senior managers reporting that ‘always’ or ‘usually’ there are institutional systems in place to ensure that governor skills and knowledge are appropriately developed. However, when asked whether there are systems in place to ensure individual governor performance is reviewed, the picture was very mixed (see Chart 17), with 53% of governors and 38% of senior managers answering ‘don’t know’, ‘not at all’, ‘rarely’ or ‘sometimes’. This finding supports the 2006 CUC survey⁹⁶ which suggested that some HEIs have been slow to introduce such review systems. Reasons include: the voluntary nature of governing body membership which - arguably - makes performance review difficult; the possibility of discouraging new governors from applying; and - of course - the general interpersonal difficulties of conducting such reviews. However, the benefits of providing the opportunity for a one-to-one discussion with governors can help make sure that their expertise and knowledge is always put to best use.

⁹⁶ CUC, Governance Questionnaire, January 2006, see www.shef.ac.uk/cuc

CHART 17: QUESTION - MY INSTITUTION ENSURES THAT THE PERFORMANCE OF THE GOVERNING BODY IS APPROPRIATELY REVIEWED



A33 Overall, results from the questions in this section showed that governors and senior managers were broadly content that governing bodies are developing the capacity and capabilities to be effective. The majority of governors and senior managers felt that governors generally possess the required skills, and that governing bodies have a commitment to improving their performance in a way which helps achieve strategic outcomes. There were mixed responses about accessibility and diversity issues in relation to board membership, and how effectively performance reviews are being undertaken of both governors and the governing body. Perhaps the most significant future challenge relates to ensuring diversity in the recruitment of appropriately qualified new governors, an issue which is being addressed in a separate study being undertaken for the Equality Challenge Unit⁹⁷.

Survey results: engaging students, staff and other stakeholders, partnership working and making accountability real

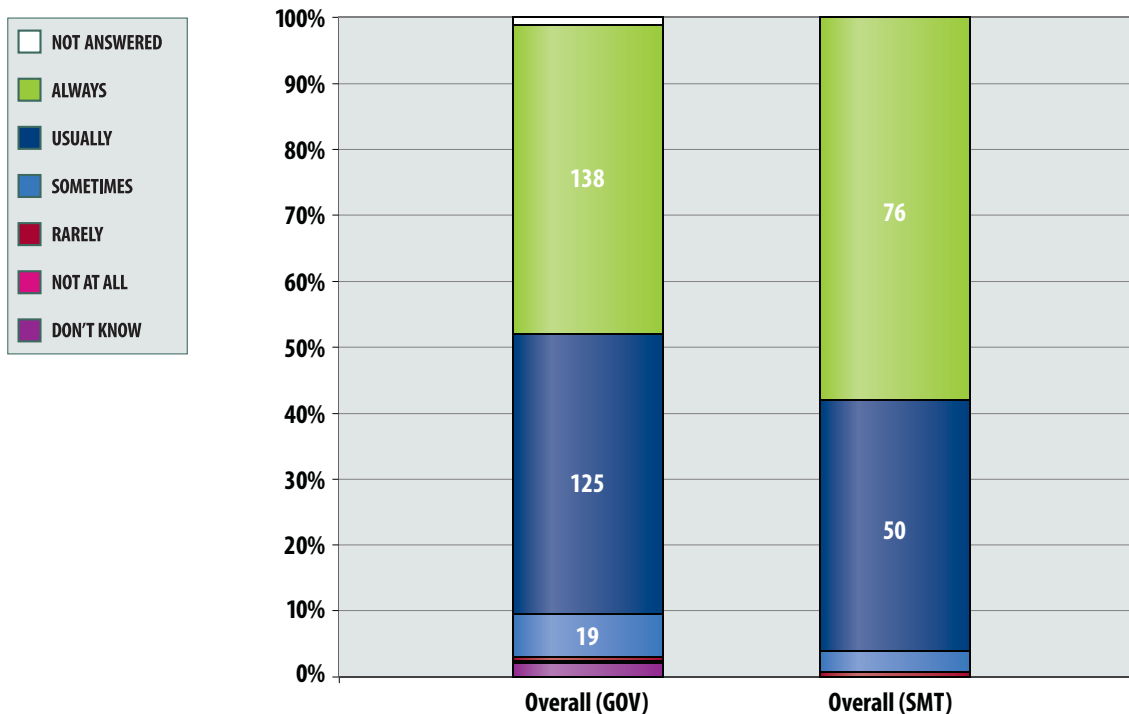
A34 This final section of the survey asked 12 related questions about the outward facing role of the governing body. This is because any assessment of board effectiveness in HEIs has to take account of the impact of governing body decisions on the broader group of stakeholders (including staff, students and the local community) who have a crucial role in the operation of universities and colleges. Overall, respondents were clear who institutions 'are accountable to and in what ways', with 94% of governors and 99% of senior managers reporting that they were 'always' or 'usually' clear. These results are interesting in that anecdotally it is reported that primary accountability may not always be clear to board members. Respondents had mixed reactions to whether their HEI worked well with partners: close to 30% of governors replied 'don't know' or 'sometimes' when asked if partnerships involving their institution were appropriately governed.

⁹⁷ See www.ecu.ac.uk

A35 The survey also asked about arrangements whereby local communities can challenge institutions, an issue of particular importance in relation to other public services with which the survey has been used - for example local government. As such the applicability of this question to all HEIs is open to challenge, and it is not surprising that 49% of governors and 41% of senior managers answered 'sometimes', 'rarely', 'not at all' or 'don't know' when asked whether 'there are effective arrangements for the public and local community to challenge my institution'.

A36 The survey sought information on consultation arrangements with staff and students, and there is mutual agreement amongst governors and senior managers that effective arrangements exist to consult students, with 91% of governors and 96% of senior managers reporting that this is 'always' or 'usually' the case (see Chart 17). The survey results do not separate the opinions of student governors from other governors, so it is not clear whether student governors agree or disagree with this statement. The survey results further show that there are generally effective arrangements to consult staff, with 84% of governors and 75% of senior managers reporting that they found consultation arrangements with staff to be effective. However, the discrepancy between the perceived effectiveness of staff and student consultation arrangements might be an area for further exploration by some HEIs. There also appear to be mixed perceptions about how far staff and student consultation actually feeds into policy and practice: 24% of governors and 13% of senior managers answered 'sometimes', 'rarely', 'not at all' or 'don't know' when asked whether staff and student consultation informs policy and practice.

CHART 17: QUESTION - MY INSTITUTION HAS EFFECTIVE ARRANGEMENTS TO CONSULT WITH STUDENTS



Conclusions

- A37 It is important to repeat the point made in the introduction to this Appendix, that these survey results only act as a starting point for further discussion within participating institutions, and are not necessarily representative of the sector as a whole, only of the HEIs which took part. Nonetheless, the available data points strongly in the same direction, namely that a number of strengths are exhibited by governing bodies which include clarity about strategy, roles and remit, and the membership of the governing body. All these might be considered to be preconditions for an effective governing body. Equally, the survey results point to areas which may prompt further probing in some HEIs, and include the clarity of whistleblowing policies, strengthening benchmarking against other institutions, increasing clarity around board and executive level performance review, and building more effective relationships internally, in particular with the academic board/senate.
- A38 The full survey results follow. Data is provided for responses by governors (GOV) and members of senior management teams (SMT).

1.1 I am clear {about my/that it is the} governing body's responsibility for approving the institutional strategy	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	0	0	0.00%	0.00%
Not at all	0	0	0.00%	0.00%
Rarely	2	0	0.68%	0.00%
Sometimes	6	1	2.04%	0.76%
Usually	80	19	27.21%	14.50%
Always	206	111	70.07%	84.73%
Not answered	0	0	0.00%	0.00%
Total	294	131	100.00%	100.00%

1.2 I am clear about the strategic outcomes my/our institution is trying to achieve	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	0	0	0.00%	0.00%
Not at all	1	0	0.34%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	9	5	3.06%	3.82%
Usually	91	31	30.95%	23.66%
Always	191	95	64.97%	72.52%
Not answered	1	0	0.34%	0.00%
Total	294	131	100.00%	100.00%

1.3 These strategic outcomes reflect the needs of my institution's diverse stakeholders	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	1	0	0.34%	0.00%
Not at all	0	0	0.00%	0.00%
Rarely	2	0	0.68%	0.00%
Sometimes	21	6	7.14%	4.58%
Usually	139	54	47.28%	41.22%
Always	129	71	43.88%	54.20%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

1.4 (SMT) I am confident that governors are clear about the strategic outcomes our institution is trying to achieve	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	0	2	0.00%	1.53%
Not at all	0	0	0.00%	0.00%
Rarely	0	2	0.00%	1.53%
Sometimes	0	16	0.00%	12.21%
Usually	0	62	0.00%	47.33%
Always	0	48	0.00%	36.64%
Not answered	0	1	100.00%	0.76%
Total	294	131	100.00%	100.00%

1.4 (GOV) & 1.5 (SMT) I am confident that the governing body systematically monitors and measures institutional performance	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	3	1	1.02%	0.76%
Not at all	2	0	0.68%	0.00%
Rarely	3	1	1.02%	0.76%
Sometimes	27	10	9.18%	7.63%
Usually	122	43	41.50%	32.82%
Always	137	76	46.60%	58.02%
Not answered	0	0	0.00%	0.00%
Total	294	131	100.00%	100.00%

1.5 (GOV) & 1.6 (SMT) I am confident that my institution is achieving its strategic outcomes	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	5	1	1.70%	0.76%
Not at all	0	0	0.00%	0.00%
Rarely	3	0	1.02%	0.00%
Sometimes	39	17	13.27%	12.98%
Usually	173	84	58.84%	64.12%
Always	72	29	24.49%	22.14%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

1.6 (GOV) & 1.7 (SMT) I am confident about the long-term strategic direction of the institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	1	0	0.34%	0.00%
Not at all	5	0	1.70%	0.00%
Rarely	3	0	1.02%	0.00%
Sometimes	23	8	7.82%	6.11%
Usually	115	51	39.12%	38.93%
Always	146	71	49.66%	54.20%
Not answered	1	1	0.34%	0.76%
Total	294	131	100.00%	100.00%

1.7 (GOV) & 1.9 (SMT) I am confident that the governing body adds value to the effectiveness with which the institution is governed	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	1	0	0.34%	0.00%
Not at all	2	0	0.68%	0.00%
Rarely	1	4	0.34%	3.05%
Sometimes	31	20	10.54%	15.27%
Usually	126	61	42.86%	46.56%
Always	132	46	44.90%	35.11%
Not answered	1	0	0.34%	0.00%
Total	294	131	100.00%	100.00%

1.8 {My/I am confident that the} governing body and its committees focus on making strategic decisions	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	1	1	0.34%	0.76%
Not at all	1	0	0.34%	0.00%
Rarely	4	3	1.36%	2.29%
Sometimes	32	24	10.88%	18.32%
Usually	147	70	50.00%	53.44%
Always	108	32	36.73%	24.43%
Not answered	1	1	0.34%	0.76%
Total	294	131	100.00%	100.00%

1.9 (GOV) & 1.10 (SMT) My/The governing body and its committees are effective at using financial information to guide the financial strategy	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	7	7	2.38%	5.34%
Not at all	2	0	0.68%	0.00%
Rarely	1	1	0.34%	0.76%
Sometimes	29	20	9.86%	15.27%
Usually	141	55	47.96%	41.98%
Always	113	46	38.44%	35.11%
Not answered	1	2	0.34%	1.53%
Total	294	131	100.00%	100.00%

1.10 (GOV) & 1.11 (SMT) My/The governing body and its committees are effective at using financial information to ensure the financial health of the institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	6	4	2.04%	3.05%
Not at all	2	0	0.68%	0.00%
Rarely	2	1	0.68%	0.76%
Sometimes	20	15	6.80%	11.45%
Usually	111	42	37.76%	32.06%
Always	151	68	51.36%	51.91%
Not answered	2	1	0.68%	0.76%
Total	294	131	100.00%	100.00%

1.11 (GOV) & 1.12 (SMT) The governing body and its committees are effective at using management information on the quality of the institution's activities to improve value for money	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	9	5	3.06%	3.82%
Not at all	5	0	1.70%	0.00%
Rarely	4	10	1.36%	7.63%
Sometimes	74	31	25.17%	23.66%
Usually	150	68	51.02%	51.91%
Always	52	16	17.69%	12.21%
Not answered	0	1	0.00%	0.76%
Total	294	131	100.00%	100.00%

1.12 (GOV) & 1.13 (SMT) {/The governing body and its committees} receive essential management information to help monitor institutional performance	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	0	2	0.00%	1.53%
Not at all	2	0	0.68%	0.00%
Rarely	6	2	2.04%	1.53%
Sometimes	38	13	12.93%	9.92%
Usually	143	48	48.64%	36.64%
Always	104	66	35.37%	50.38%
Not answered	1	0	0.34%	0.00%
Total	294	131	100.00%	100.00%

1.13 (GOV) & 1.14 (SMT) {/The governing body and its committees} receive essential information to benchmark institutional performance against other institutions	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	3	5	1.02%	3.82%
Not at all	7	0	2.38%	0.00%
Rarely	19	5	6.46%	3.82%
Sometimes	106	36	36.05%	27.48%
Usually	102	50	34.69%	38.17%
Always	55	33	18.71%	25.19%
Not answered	2	2	0.68%	1.53%
Total	294	131	100.00%	100.00%

2.1 I am clear about the main functions of the governing body and its committees	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	0	0	0.00%	0.00%
Not at all	1	0	0.34%	0.00%
Rarely	0	0	0.00%	0.00%
Sometimes	4	6	1.36%	4.58%
Usually	84	24	28.57%	18.32%
Always	204	101	69.39%	77.10%
Not answered	1	0	0.34%	0.00%
Total	294	131	100.00%	100.00%

2.2 The main functions of the governing body and its committees are clearly set out	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	0	0	0.00%	0.00%
Not at all	1	1	0.34%	0.76%
Rarely	2	0	0.68%	0.00%
Sometimes	6	6	2.04%	4.58%
Usually	65	21	22.11%	16.03%
Always	218	102	74.15%	77.86%
Not answered	2	1	0.68%	0.76%
Total	294	131	100.00%	100.00%

2.3 The governing body's primary statement of responsibility accurately identifies its key responsibilities	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	6	9	2.04%	6.87%
Not at all	2	0	0.68%	0.00%
Rarely	0	0	0.00%	0.00%
Sometimes	5	4	1.70%	3.05%
Usually	65	22	22.11%	16.79%
Always	215	95	73.13%	72.52%
Not answered	1	1	0.34%	0.76%
Total	294	131	100.00%	100.00%

2.4 I am clear about the individual roles and responsibilities of all governors	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	1	3	0.34%	2.29%
Not at all	2	1	0.68%	0.76%
Rarely	4	6	1.36%	4.58%
Sometimes	28	16	9.52%	12.21%
Usually	98	48	33.33%	36.64%
Always	158	57	53.74%	43.51%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

2.5 I am clear about the role of the/a governing body in appointing a head of institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	3	1	1.02%	0.76%
Not at all	3	1	1.02%	0.76%
Rarely	2	0	0.68%	0.00%
Sometimes	5	1	1.70%	0.76%
Usually	53	9	18.03%	6.87%
Always	225	118	76.53%	90.08%
Not answered	3	1	1.02%	0.76%
Total	294	131	100.00%	100.00%

2.6 There are clear roles and responsibilities for the Chair of the governing body	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	4	4	1.36%	3.05%
Not at all	1	0	0.34%	0.00%
Rarely	2	0	0.68%	0.00%
Sometimes	7	6	2.38%	4.58%
Usually	56	26	19.05%	19.85%
Always	223	94	75.85%	71.76%
Not answered	1	1	0.34%	0.76%
Total	294	131	100.00%	100.00%

2.7 There are clear roles and responsibilities for the vice-chancellor/principal	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	4	2	1.36%	1.53%
Not at all	0	0	0.00%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	10	1	3.40%	0.76%
Usually	51	11	17.35%	8.40%
Always	226	117	76.87%	89.31%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

2.8 There are clear roles and responsibilities for the clerk/secretary	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	5	5	1.70%	3.82%
Not at all	0	0	0.00%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	9	4	3.06%	3.05%
Usually	59	22	20.07%	16.79%
Always	218	100	74.15%	76.34%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

2.9 The governing body and vice-chancellor/principal take responsibility for key decisions	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	2	0	0.68%	0.00%
Not at all	0	0	0.00%	0.00%
Rarely	3	0	1.02%	0.00%
Sometimes	8	4	2.72%	3.05%
Usually	59	22	20.07%	16.79%
Always	220	105	74.83%	80.15%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

2.10 I am aware the governing body regularly reviews the performance of the head of the institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	42	10	14.29%	7.63%
Not at all	9	0	3.06%	0.00%
Rarely	13	1	4.42%	0.76%
Sometimes	28	13	9.52%	9.92%
Usually	75	12	25.51%	9.16%
Always	124	95	42.18%	72.52%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

2.11 There are constructive working relationships between governors	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	3	10	1.02%	7.63%
Not at all	2	0	0.68%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	19	8	6.46%	6.11%
Usually	125	63	42.52%	48.09%
Always	142	49	48.30%	37.40%
Not answered	2	1	0.68%	0.76%
Total	294	131	100.00%	100.00%

2.12 There are constructive working relationships between governors and the senior management team	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	4	1	1.36%	0.76%
Not at all	2	0	0.68%	0.00%
Rarely	5	1	1.70%	0.76%
Sometimes	20	19	6.80%	14.50%
Usually	144	59	48.98%	45.04%
Always	116	51	39.46%	38.93%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

2.13 There are constructive working relationships between the governing body and academic board/senate	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	30	12	10.20%	9.16%
Not at all	10	3	3.40%	2.29%
Rarely	15	19	5.10%	14.50%
Sometimes	58	25	19.73%	19.08%
Usually	122	45	41.50%	34.35%
Always	56	26	19.05%	19.85%
Not answered	3	1	1.02%	0.76%
Total	294	131	100.00%	100.00%

2.14 Staff and student representatives know what the governing body is responsible for in my institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	56	7	19.05%	5.34%
Not at all	9	0	3.06%	0.00%
Rarely	13	7	4.42%	5.34%
Sometimes	65	27	22.11%	20.61%
Usually	113	57	38.44%	43.51%
Always	33	31	11.22%	23.66%
Not answered	5	2	1.70%	1.53%
Total	294	131	100.00%	100.00%

2.15 (GOV) Staff have confidence in the governing body and its functions	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	77	0	26.19%	0.00%
Not at all	5	0	1.70%	0.00%
Rarely	8	0	2.72%	0.00%
Sometimes	46	0	15.65%	0.00%
Usually	126	0	42.86%	0.00%
Always	27	0	9.18%	0.00%
Not answered	5	0	1.70%	100.00%
Total	294	131	100.00%	100.00%

3.1 I am clear about the values of my institution and how they relate to my role as a {governor/senior manager}	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	2	1	0.68%	0.76%
Not at all	2	0	0.68%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	13	6	4.42%	4.58%
Usually	89	27	30.27%	20.61%
Always	187	96	63.61%	73.28%
Not answered	0	1	0.00%	0.76%
Total	294	131	100.00%	100.00%

3.2 My governing body reinforces and promotes the academic values of the institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	4	3	1.36%	2.29%
Not at all	1	0	0.34%	0.00%
Rarely	5	2	1.70%	1.53%
Sometimes	15	13	5.10%	9.92%
Usually	100	47	34.01%	35.88%
Always	169	65	57.48%	49.62%
Not answered	0	1	0.00%	0.76%
Total	294	131	100.00%	100.00%

3.3 I am confident that these values are appropriate to the achievement of the institution's objectives	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	2	2	0.68%	1.53%
Not at all	3	0	1.02%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	14	7	4.76%	5.34%
Usually	103	36	35.03%	27.48%
Always	171	85	58.16%	64.89%
Not answered	0	1	0.00%	0.76%
Total	294	131	100.00%	100.00%

3.4 Governors demonstrate commitment to these values in their behaviour	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	10	6	3.40%	4.58%
Not at all	0	0	0.00%	0.00%
Rarely	2	1	0.68%	0.76%
Sometimes	16	9	5.44%	6.87%
Usually	114	67	38.78%	51.15%
Always	149	47	50.68%	35.88%
Not answered	3	1	1.02%	0.76%
Total	294	131	100.00%	100.00%

3.5 There are effective arrangements to ensure good standards of behaviour by the governing body and staff	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	20	8	6.80%	6.11%
Not at all	1	1	0.34%	0.76%
Rarely	0	1	0.00%	0.76%
Sometimes	11	2	3.74%	1.53%
Usually	120	50	40.82%	38.17%
Always	140	69	47.62%	52.67%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

3.6 The values my/our institution expects its staff to demonstrate are clearly set out	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	31	3	10.54%	2.29%
Not at all	2	0	0.68%	0.00%
Rarely	3	3	1.02%	2.29%
Sometimes	21	14	7.14%	10.69%
Usually	112	43	38.10%	32.82%
Always	124	66	42.18%	50.38%
Not answered	1	2	0.34%	1.53%
Total	294	131	100.00%	100.00%

3.7 External stakeholders have confidence in the values which guide my institution's work	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	49	14	16.67%	10.69%
Not at all	0	0	0.00%	0.00%
Rarely	0	0	0.00%	0.00%
Sometimes	28	11	9.52%	8.40%
Usually	144	71	48.98%	54.20%
Always	68	34	23.13%	25.95%
Not answered	5	1	1.70%	0.76%
Total	294	131	100.00%	100.00%

3.7 External stakeholders have confidence in the values which guide my institution's work	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	49	14	16.67%	10.69%
Not at all	0	0	0.00%	0.00%
Rarely	0	0	0.00%	0.00%
Sometimes	28	11	9.52%	8.40%
Usually	144	71	48.98%	54.20%
Always	68	34	23.13%	25.95%
Not answered	5	1	1.70%	0.76%
Total	294	131	100.00%	100.00%

3.8 My institution's whistle blowing policy is effective at bringing out issues of concern	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	105	34	35.71%	25.95%
Not at all	8	2	2.72%	1.53%
Rarely	6	3	2.04%	2.29%
Sometimes	38	15	12.93%	11.45%
Usually	94	45	31.97%	34.35%
Always	42	31	14.29%	23.66%
Not answered	1	1	0.34%	0.76%
Total	294	131	100.00%	100.00%

3.9 Diversity is effectively managed throughout the institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	20	0	6.80%	0.00%
Not at all	2	0	0.68%	0.00%
Rarely	6	2	2.04%	1.53%
Sometimes	35	22	11.90%	16.79%
Usually	150	68	51.02%	51.91%
Always	80	38	27.21%	29.01%
Not answered	1	1	0.34%	0.76%
Total	294	131	100.00%	100.00%

4.1 There is formal agreement on responsibilities delegated to the senior management team compared to those that are reserved for governors	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	30	8	10.20%	6.11%
Not at all	3	1	1.02%	0.76%
Rarely	0	0	0.00%	0.00%
Sometimes	19	12	6.46%	9.16%
Usually	110	46	37.41%	35.11%
Always	131	64	44.56%	48.85%
Not answered	1	0	0.34%	0.00%
Total	294	131	100.00%	100.00%

4.2 Governors understand the institution's delegation arrangements	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	14	14	4.76%	10.69%
Not at all	3	1	1.02%	0.76%
Rarely	5	1	1.70%	0.76%
Sometimes	33	18	11.22%	13.74%
Usually	150	63	51.02%	48.09%
Always	89	33	30.27%	25.19%
Not answered	0	1	0.00%	0.76%
Total	294	131	100.00%	100.00%

4.3 The senior management team understand the institution's delegation arrangements	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	16	2	5.44%	1.53%
Not at all	3	0	1.02%	0.00%
Rarely	2	0	0.68%	0.00%
Sometimes	11	10	3.74%	7.63%
Usually	116	50	39.46%	38.17%
Always	146	68	49.66%	51.91%
Not answered	0	1	0.00%	0.76%
Total	294	131	100.00%	100.00%

4.4 Delegation arrangements are appropriate	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	24	7	8.16%	5.34%
Not at all	1	0	0.34%	0.00%
Rarely	0	0	0.00%	0.00%
Sometimes	18	10	6.12%	7.63%
Usually	119	58	40.48%	44.27%
Always	131	56	44.56%	42.75%
Not answered	1	0	0.34%	0.00%
Total	294	131	100.00%	100.00%

4.5 Governors take appropriate advice to inform their decision making	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	5	7	1.70%	5.34%
Not at all	1	0	0.34%	0.00%
Rarely	2	2	0.68%	1.53%
Sometimes	19	12	6.46%	9.16%
Usually	131	54	44.56%	41.22%
Always	135	55	45.92%	41.98%
Not answered	1	1	0.34%	0.76%
Total	294	131	100.00%	100.00%

4.6 Advice given to governors by the senior management team is generally appropriate	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	6	7	2.04%	5.34%
Not at all	1	0	0.34%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	13	4	4.42%	3.05%
Usually	150	57	51.02%	43.51%
Always	123	62	41.84%	47.33%
Not answered	0	1	0.00%	0.76%
Total	294	131	100.00%	100.00%

4.7 The governing body uses audit processes effectively to improve the stewardship of resources	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	11	8	3.74%	6.11%
Not at all	0	1	0.00%	0.76%
Rarely	3	1	1.02%	0.76%
Sometimes	10	6	3.40%	4.58%
Usually	95	45	32.31%	34.35%
Always	175	70	59.52%	53.44%
Not answered	0	0	0.00%	0.00%
Total	294	131	100.00%	100.00%

4.8 There are effective arrangements, including audit, to oversee financial processes	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	7	2	2.38%	1.53%
Not at all	0	0	0.00%	0.00%
Rarely	2	0	0.68%	0.00%
Sometimes	5	2	1.70%	1.53%
Usually	79	28	26.87%	21.37%
Always	201	99	68.37%	75.57%
Not answered	0	0	0.00%	0.00%
Total	294	131	100.00%	100.00%

4.9 There are effective arrangements for governors to challenge key issues	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	3	5	1.02%	3.82%
Not at all	1	0	0.34%	0.00%
Rarely	8	1	2.72%	0.76%
Sometimes	18	5	6.12%	3.82%
Usually	116	34	39.46%	25.95%
Always	148	86	50.34%	65.65%
Not answered	0	0	0.00%	0.00%
Total	294	131	100.00%	100.00%

4.10 My institution's approach to risk management is effective	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	6	0	2.04%	0.00%
Not at all	0	0	0.00%	0.00%
Rarely	0	1	0.00%	0.76%
Sometimes	20	6	6.80%	4.58%
Usually	130	65	44.22%	49.62%
Always	138	59	46.94%	45.04%
Not answered	0	0	0.00%	0.00%
Total	294	131	100.00%	100.00%

4.11 Key decisions made by the governing body are clearly communicated to stakeholders	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	32	2	10.88%	1.53%
Not at all	2	0	0.68%	0.00%
Rarely	6	4	2.04%	3.05%
Sometimes	38	26	12.93%	19.85%
Usually	136	64	46.26%	48.85%
Always	76	34	25.85%	25.95%
Not answered	4	1	1.36%	0.76%
Total	294	131	100.00%	100.00%

4.12 It is easy for members of the institution to find out about key decisions made by the governing body	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	47	6	15.99%	4.58%
Not at all	4	1	1.36%	0.76%
Rarely	8	6	2.72%	4.58%
Sometimes	45	32	15.31%	24.43%
Usually	116	50	39.46%	38.17%
Always	74	36	25.17%	27.48%
Not answered	0	0	0.00%	0.00%
Total	294	131	100.00%	100.00%

4.13 It is easy for external stakeholders to find out about relevant key decisions made by the governing body	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	75	24	25.51%	18.32%
Not at all	2	1	0.68%	0.76%
Rarely	8	11	2.72%	8.40%
Sometimes	51	34	17.35%	25.95%
Usually	102	42	34.69%	32.06%
Always	53	19	18.03%	14.50%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

5.1 The governing body knows what skills governors should have to do their job effectively	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	4	12	1.36%	9.16%
Not at all	1	0	0.34%	0.00%
Rarely	2	0	0.68%	0.00%
Sometimes	11	8	3.74%	6.11%
Usually	145	67	49.32%	51.15%
Always	129	43	43.88%	32.82%
Not answered	2	1	0.68%	0.76%
Total	294	131	100.00%	100.00%

5.2 Governors are appropriately skilled	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	5	8	1.70%	6.11%
Not at all	0	0	0.00%	0.00%
Rarely	3	3	1.02%	2.29%
Sometimes	15	9	5.10%	6.87%
Usually	187	84	63.61%	64.12%
Always	82	26	27.89%	19.85%
Not answered	2	1	0.68%	0.76%
Total	294	131	100.00%	100.00%

5.3 There is diverse representation on the governing body which reflects the needs of the institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	1	1	0.34%	0.76%
Not at all	3	1	1.02%	0.76%
Rarely	15	5	5.10%	3.82%
Sometimes	30	22	10.20%	16.79%
Usually	145	53	49.32%	40.46%
Always	98	49	33.33%	37.40%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

5.4 The appointment process for governors identifies people with the right skills and knowledge	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	9	16	3.06%	12.21%
Not at all	2	0	0.68%	0.00%
Rarely	5	2	1.70%	1.53%
Sometimes	18	11	6.12%	8.40%
Usually	148	65	50.34%	49.62%
Always	110	36	37.41%	27.48%
Not answered	2	1	0.68%	0.76%
Total	294	131	100.00%	100.00%

5.5 The appointment process for governors identifies suitably qualified people from a wide cross section of society	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	9	15	3.06%	11.45%
Not at all	4	0	1.36%	0.00%
Rarely	11	5	3.74%	3.82%
Sometimes	36	23	12.24%	17.56%
Usually	141	58	47.96%	44.27%
Always	91	29	30.95%	22.14%
Not answered	2	1	0.68%	0.76%
Total	294	131	100.00%	100.00%

5.6 The governing body has the right balance of long-standing and new governors	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	5	4	1.70%	3.05%
Not at all	3	1	1.02%	0.76%
Rarely	0	1	0.00%	0.76%
Sometimes	16	11	5.44%	8.40%
Usually	148	71	50.34%	54.20%
Always	119	43	40.48%	32.82%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

5.7 Our institution takes appropriate measures to ensure that becoming a governor is possible for a wide range of people	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	29	18	9.86%	13.74%
Not at all	5	1	1.70%	0.76%
Rarely	13	1	4.42%	0.76%
Sometimes	34	24	11.56%	18.32%
Usually	106	45	36.05%	34.35%
Always	104	42	35.37%	32.06%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

5.8 There are systems in my institution to ensure the skills and knowledge of governors are appropriately developed	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	9	18	3.06%	13.74%
Not at all	3	0	1.02%	0.00%
Rarely	8	3	2.72%	2.29%
Sometimes	46	11	15.65%	8.40%
Usually	115	58	39.12%	44.27%
Always	111	41	37.76%	31.30%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

5.9 {My institution ensures the performance of the governing body/My performance as a governor} is appropriately reviewed	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	49	26	16.67%	19.85%
Not at all	30	0	10.20%	0.00%
Rarely	33	8	11.22%	6.11%
Sometimes	44	14	14.97%	10.69%
Usually	58	43	19.73%	32.82%
Always	76	39	25.85%	29.77%
Not answered	4	1	1.36%	0.76%
Total	294	131	100.00%	100.00%

5.10 (GOV) My institution ensure the performance of the governing body is appropriately reviewed	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	42	0	14.29%	0.00%
Not at all	15	0	5.10%	0.00%
Rarely	16	0	5.44%	0.00%
Sometimes	26	0	8.84%	0.00%
Usually	97	0	32.99%	0.00%
Always	94	0	31.97%	0.00%
Not answered	4	0	1.36%	100.00%
Total	294	131	100.00%	100.00%

5.11(GOV) & 5.10(SMT) My institution works to improve the performance of the governing body to ensure the efficient delivery of its strategic outcomes	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	20	11	6.80%	8.40%
Not at all	6	0	2.04%	0.00%
Rarely	8	3	2.72%	2.29%
Sometimes	32	13	10.88%	9.92%
Usually	107	56	36.39%	42.75%
Always	118	48	40.14%	36.64%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

6.1 I am clear about which organisations my institution is primarily accountable to and in what ways	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	3	0	1.02%	0.00%
Not at all	1	0	0.34%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	14	1	4.76%	0.76%
Usually	106	34	36.05%	25.95%
Always	166	96	56.46%	73.28%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

6.2 My institution works well with the organisation(s) to which it is primarily accountable	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	15	2	5.10%	1.53%
Not at all	2	0	0.68%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	7	2	2.38%	1.53%
Usually	143	59	48.64%	45.04%
Always	122	67	41.50%	51.15%
Not answered	4	1	1.36%	0.76%
Total	294	131	100.00%	100.00%

6.3 I am clear about the partners we work with to improve the institutions strategic outcomes	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	11	1	3.74%	0.76%
Not at all	2	0	0.68%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	29	11	9.86%	8.40%
Usually	140	49	47.62%	37.40%
Always	108	70	36.73%	53.44%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

6.3 I am clear about the partners we work with to improve the institutions strategic outcomes	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	11	1	3.74%	0.76%
Not at all	2	0	0.68%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	29	11	9.86%	8.40%
Usually	140	49	47.62%	37.40%
Always	108	70	36.73%	53.44%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

6.4 The partnerships within which my institution works are appropriately governed	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	64	8	21.77%	6.11%
Not at all	1	0	0.34%	0.00%
Rarely	1	0	0.34%	0.00%
Sometimes	20	9	6.80%	6.87%
Usually	124	68	42.18%	51.91%
Always	82	46	27.89%	35.11%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

6.5 There are effective arrangements for the public and local community to challenge my institution	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	61	15	20.75%	11.45%
Not at all	10	1	3.40%	0.76%
Rarely	19	5	6.46%	3.82%
Sometimes	52	33	17.69%	25.19%
Usually	88	47	29.93%	35.88%
Always	60	29	20.41%	22.14%
Not answered	4	1	1.36%	0.76%
Total	294	131	100.00%	100.00%

6.6 The institution has effective arrangements to consult with students	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	6	0	2.04%	0.00%
Not at all	1	0	0.34%	0.00%
Rarely	2	1	0.68%	0.76%
Sometimes	19	4	6.46%	3.05%
Usually	125	50	42.52%	38.17%
Always	138	76	46.94%	58.02%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

6.7 The governing body has effective arrangements to consult with staff	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	7	6	2.38%	4.58%
Not at all	3	1	1.02%	0.76%
Rarely	7	7	2.38%	5.34%
Sometimes	28	18	9.52%	13.74%
Usually	123	59	41.84%	45.04%
Always	122	40	41.50%	30.53%
Not answered	4	0	1.36%	0.00%
Total	294	131	100.00%	100.00%

6.8 The institution considers suggestions from other external stakeholders (e.g. local community) where appropriate	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	39	2	13.27%	1.53%
Not at all	1	0	0.34%	0.00%
Rarely	9	2	3.06%	1.53%
Sometimes	48	25	16.33%	19.08%
Usually	108	54	36.73%	41.22%
Always	86	48	29.25%	36.64%
Not answered	3	0	1.02%	0.00%
Total	294	131	100.00%	100.00%

6.9 Feedback from consultations with staff and students is used effectively to inform policy and practice	Overall (GOV)	Overall (SMT)	Overall (GOV) percentage	Overall (SMT) percentage
Don't know	18	1	6.12%	0.76%
Not at all	4	0	1.36%	0.00%
Rarely	10	2	3.40%	1.53%
Sometimes	36	14	12.24%	10.69%
Usually	129	67	43.88%	51.15%
Always	95	47	32.31%	35.88%
Not answered	2	0	0.68%	0.00%
Total	294	131	100.00%	100.00%

APPENDIX B: DEVELOPMENTS IN OTHER SECTORS: A SUMMARY LITERATURE REVIEW

- B1 This Appendix reviews briefly developments in the understanding of effective governance in other sectors relevant to UK higher education. The areas selected are:
- Governance in broadly comparable higher education systems in other countries, most notably the USA, Australia, and the Netherlands.
 - Governance in the UK private sector, particularly looking at partnership and not-for-profit private organisations.
 - Governance in parts of the UK public and voluntary sectors, noting similarities and differences with higher education governance.

Governance in Broadly Comparable Higher Education Systems

- B2 For the reasons outlined in Section 2 of the main report, interest in enhancing institutional governance is not just confined to UK higher education, but is increasingly widespread in those systems which permit substantial institutional autonomy. Of these the USA, Australia, and the Netherlands may be of particular interest to the UK, and are summarised below.

a) The USA

- B3 Universities in the USA have a lengthy history of interest in enhancing institutional governance, although generalisations about good practice are difficult because of the diversity of the sector. The USA has over 3500 HEIs, which are a mixture of public, private not-for-profit and private for-profit institutions. So far as public institutions are concerned, accountability rests with individual states, and there is limited federal intervention or oversight, resulting in a wide range of governance structures. In contrast, private institutions (which include some of the most famous universities in the USA) are autonomous, and subject only to general regulatory oversight. Governance in most UK HEIs sits between these two approaches, accountability to the funding bodies providing a constraint not placed on private US universities, but it is much less demanding and politically interventionist than in some US states.
- B4 It follows that examining the US experience requires careful scrutiny of the particular institutional contexts in order to draw meaningful conclusions, and a useful introduction to the complexities of governance in US universities is provided by Lombardi et al (2002) in a report for the Centre for Measuring University Performance⁹⁸.
- B5 Two books by Chait et al⁹⁹ have been particularly influential in developing a climate of interest in governance in US universities, and the second ((published in 1996) sets out not only a proposed set of six "competencies" which define effective governing boards, but also suggests five areas where boards and their members (trustees) can add explicit value to their institutions. The six competencies are:
- Contextual dimension: "the board understands and takes into account the culture and norms of the organization it governs".
 - Educational dimension: "the board takes the necessary steps to ensure that trustees are knowledgeable about the institution, the profession, the board's roles, responsibilities, and performance".

⁹⁸ Lombardi J V, Craig D D, Capaldi E D, and Gater D S (2002), *University Organization, Governance and Competitiveness*, The Centre for Measuring University Performance, Arizona at <http://mup.asu.edu/UniversityOrganization.pdf>

⁹⁹ Chait R P, Holland T P, and Taylor B E, (1996), *Improving the Performance of Governing Boards*, American Council on Education, Oryx Press, Arizona, USA; and Chait R P, Holland T P, and Taylor B E, (1991), *The Effective Board of Trustees*, American Council on Education, Oryx Press, Arizona, USA

- Interpersonal dimension: "the board nurtures the development of trustees as a working group, attends to the board's collective welfare, and fosters a sense of cohesiveness".
- Analytical dimension: "the board recognizes the complexities and subtleties of issues and accepts ambiguity and uncertainty as healthy preconditions for critical discussion".
- Political dimension: "the board accepts as a primary responsibility the need to develop and maintain healthy relationships among major constituencies".
- Strategic dimension: "the board helps the institution to envision a direction and shape a strategy".

The five associated areas where the "best boards add most value" are perceived to be:

- Helping senior management determine "what matters most".
- Creating opportunities for the president "to think aloud".
- Encouraging experimentation.
- Monitoring progress and performance.
- Modelling desired behaviours.

- B6 Partly as a result of Chait et al's early work the Association of Governing Bodies of Colleges and Universities¹⁰⁰ has for some years provided support to member universities in offering self-study criteria for use in undertaking board effectiveness reviews, built around the main functional areas for which boards of trustees are explicitly responsible.
- B7 More recently, noting that much of the previous work has tended to address governance in private universities, Kezar¹⁰¹ has addressed the issue of board effectiveness in the specific context of US public higher education. This has to take account of both the diversity of arrangements (for example, in some states, each university has its own governing body, whilst in others HEIs are under the jurisdiction of a single state wide governing body holding responsibility for all higher education level institutions), and also the increasing politicisation of governance through the intervention of state legislatures. Indeed at its worst, Kezar notes that "because of sunshine laws, public board meetings are largely ceremonial occasions in many states".
- B8 The starting point for Kezar's analysis of public university governance has two elements that are important for this CUC/Leadership Foundation study:
- First, she is clear that "the challenges facing higher education require high performing boards" which not only need to be prepared to address numerous difficult strategic issues, but must to do so in a post- Enron environment where "people are wondering whether boards can be trusted to make quality, ethical decisions that represent the public good", a challenge made all the harder by the outcomes of the 'credit crunch'.
 - Second, in reviewing existing literature she notes that high performance amongst boards is often not defined in the literature, and instead factors that affect performance tend to be studied. She goes on to note that "the literature on non-profit boards tends to emphasise process definitions [of effectiveness] exclusively because outcomes of board performance are difficult to isolate and measure". This point is certainly true of the UK, and one of the main challenges for the Leadership Foundation and CUC has been to find a way of incorporating board outcomes into any conception of effectiveness and high performance.

¹⁰⁰ See www.agb.org

¹⁰¹ Kezar A, (2006), Rethinking Public Higher Education Governing Boards Performance, The Journal of Higher Education Vol 77 No 6.

- B9 Based on the results of her study (which interviewed 132 experienced board members across a wide range of public universities), Kezar identified six elements of effective or high performing boards:
- Providing leadership through: developing a common vision; creating "a multiyear agenda through an inclusive process"; asking tough questions; and through direct leadership by the board chair. The first of these is based on the idea that the process of setting a direction for a governing body is a powerful tool in making its leadership role a reality. In some instances in the UK, clerks already prepare an annual work agenda for the governing body, and institutions are expected to have strategic plans that set the overall direction. There may, however, be merit in identifying ways in which the governing body has (or could) make a contribution to strategic direction setting, and then mapping out not just institutional objectives within the strategic plan, but also objectives for the board in terms of areas they will monitor or consider further during the planning period. The aim, of course, is to encourage the governing body to see agenda setting as an activity run jointly by the executive and the governing body.
 - Developing a culture and associated values which guide the ways that boards work.
 - Education, which - as in the approach of Chait - refers in this framework to the support and development of the board. Five main types of education were noted: orientation; ongoing education; educational opportunities outside governing body meetings; the provision of data and information by those supporting the work of the governing body; and educational opportunities evolving from a governing body evaluation process. More complex methods are emerging in the US that involve the provision of secure web sites - a governing body 'blog' site - where members, and the executive, can post information and exchange views about institutional issues between meetings. Lastly, for informal education, including social events with staff and students or tours of departments and support services (including those behind the scenes operations that are rarely visited by anyone, let alone the governing body) can provide an opportunity for governors to obtain a wider range of views or even see the site of a new capital development, so as to provide context to the papers on the agenda.
 - Ensuring effective external relationships, a distinctive element within the US public higher education system which recognises that boards are not "independent decision making units" but part of broader local government arrangements. Here the study found that boards with large numbers of externally appointed or elected members (some with political affiliations) were likely to be different from those where appointment remained within the control of the institution. In the former, issues of consensus building, the use of data, the development of constructive relationships and the degree of influence on the issues that appeared on the governing body agenda were thought to be more difficult. In the UK, where most governing body appointments remain in the hands of the institution, the same sorts of problems might not be expected. However, there are cases in the UK where external appointments to governing bodies form part of an HEI's constitution and, anecdotally at least, can act as a barrier to effective decision making because external considerations may vie with those of the institution, or because the appointed/elected members are not always as committed as those appointed by the institution.
 - Building relationships, including (crucially) that between the board chair and the university president, but also between the board and the university more generally.
 - Appropriate governance structures, of which five issues were highlighted: clarity of role; an effective committee system; careful selection of the board chair (usually elected annually by board members - a process common across US not-for-profit institutions); ongoing board evaluation; and the need for a board to act "as a collective".

Not all these factors apply to the UK, but many do and have been incorporated into the framework for identifying effective and high performing governing bodies set out in Section 4 of the main report.

- B10 In the past few years a number of additional developments have occurred with significant implications for how effective governance in US universities is perceived, and three are perhaps most relevant to this review: the growth of the regulatory environment; increasing attention to the role of the board on academic and educational issues; and (reflecting the Kezar study) greater attention to the leadership role of the governing body. Each is considered briefly below.
- B11 For private universities the regulatory burden has always been relatively low, and "the ultimate responsibility for the institution rests in its governing board. Boards cannot delegate their fiduciary responsibility for the academic integrity and financial health of the institution...the delegation of authority to the administration and faculty in adding, reducing, or discontinuing academic programs is made with the implicit understanding that the board still retains the ultimate responsibility" (AGB 1998)¹⁰². However, the regulatory responsibilities of governing bodies in the US have been steadily growing since high profile corporate collapses in other sectors, and elements of the Sarbanes-Oxley Act - passed in 2002 - now apply to public governance including higher education¹⁰³.
- B12 Whilst the UK has maintained a 'comply or explain' principle in its approach to much governance (a feature now adopted in higher education), other countries have demanded a tougher line. Tighter legal regulation was introduced in the US by the passing of Sarbanes-Oxley, which sought "to protect investors by improving accuracy and reliability of corporate disclosures" and which, in addition to improving auditing and financial reporting functions, dealt with the responsibilities of boards, their executives and outside advisors. US higher education institutions are being advised to consider ways in which they can meet relevant standards set out in Sarbanes-Oxley, and some universities are already taking steps to comply with its requirements. Michaelson¹⁰⁴ holds that this is necessary because it would not be appropriate for the probity of institutions' fiduciary responsibilities to be seen as less than that of the directors of publicly quoted companies. He also comments that "legislators and judges will view more favourably institutions that have adopted painstaking prophylaxis in governance. Adoption of Sarbanes-Oxley principles thus conduces to the public trust on which the institutions depend".
- B13 As a result of such developments, the Association of Governing Boards of Universities and Colleges has published a statement on board accountability¹⁰⁵, which contains not only guidelines for the governing body's fiscal, academic and other responsibilities, but also a set of self-assessment questions for each area of the governing body's work, including ways in which the governing body is addressing relevant aspects of Sarbanes-Oxley. The statement further includes a section on board performance which covers aspects of the management of the governing body's business, as well as governor selection and assessment of their individual contributions to the governing body.
- B14 Much more recently, the prospect of greater regulation falling upon US universities and their boards has increased with the passing of the 2008 Higher Education Opportunity Act. Focussing on student access issues, Hartle¹⁰⁶ notes that more than 100 new reporting and record keeping requirements will potentially fall upon universities seeking particular types of federal funding. When combined with implementing Sarbanes-Oxley, regulatory compliance is likely to feature more highly for US trustees than in the past.

¹⁰² Association of Governing Boards, (1998), Statement on Governance, see www.agb.org

¹⁰³ United States Congress, (2002), Sarbanes-Oxley Act of 2002

¹⁰⁴ United States Congress, (2002), Sarbanes-Oxley Act of 2002

¹⁰⁵ AGB, (2007), AGB Statement on Board Accountability, Association of Governing Boards of Universities and Colleges, Washington DC

¹⁰⁶ Hartle T W, (2008), Coming Soon - Lots More Federal Regulations, Trustreeship 16 (6)

- B15 The second development noted in paragraph B10 is the growth of interest by boards in US universities in academic issues. This is interesting for the UK in several ways, not least because the model of governance practised in private US universities has traditionally emphasised (as in UK pre-1992 universities) the separation of corporate and academic matters. However, governing boards are now being encouraged to take a much greater interest in academic quality, for many reasons: demonstrating greater accountability; increasing competitiveness; increasing public scrutiny; and - as Ewell¹⁰⁷ notes - "ensuring academic quality is a fiduciary responsibility; it is as much part of our role as board members as ensuring that the institution has sufficient resources and is spending them wisely".
- B16 Recognising the role of an academic affairs committee as a common (although not required) governing body sub-committee, Ewell notes the delicate balance to be maintained in defining what is - and just as importantly what is not - a board responsibility in this area. He identifies five 'principles' to help a university define a board's role in relation to academic quality:
- "Running the curriculum is the faculty's responsibility; the board's role is to remind them of that responsibility".
 - The board must "stay focussed on strategic issues".
 - "The board must expect and demand a culture of evidence" (UK readers need to recognise that national independent quality assurance mechanisms such as those of the Quality Assurance Agency are less well developed in the US).
 - The board must "recognise that evidence about academic quality raises issues but rarely gives final answers".
 - "Make reviewing evidence of academic quality and improvement a regular and expected board level activity".
- B17 Such issues have an increasing parallel here (even if the language may not), partly because of the explicit responsibility for determining educational character falling on post-1992 HEIs, but also because many governing bodies are becoming more involved in academic issues for the reasons set out in paragraph B15.
- B18 Finally - and briefly - the dynamics of governance and the associated leadership issues are coming more to the fore in the US literature. Increasingly, the notion that an improved understanding of the people within an organisation can make a positive contribution to performance appears to be well established, even if the application of this principle to higher education governance has yet to be fully developed. Within the wider world of governance, in a more recent book Chait et al¹⁰⁸ propose that there is much to be gained from engaging those who govern as contributors to leadership rather than simply as monitors of institutional health. In this way, governing bodies could be expected to contribute routinely to the generation of new strategies, innovations or insights, rather than simply "examine the fiduciary past, through a variety of processes - from straightforward external audits to more complex processes like Total Quality Management" or even "the strategic past via dashboards, benchmarks and scorecards, as well as official progress reports", both aspects of which "come to the board compressed, aggregated and prefabricated". Chait goes on to call for boards - and those who work with them - to develop a more generative style of governance, whilst lamenting the fact that many do not work with management to create a story line for their institution, but simply listen while management relates the story.

¹⁰⁷ Hartle TW, (2008), *Coming Soon - Lots More Federal Regulations*, Trusteeship 16 (6)

¹⁰⁸ Chait R P, Ryan W P, and Taylor B E, (2005), *Governance as Leadership: Reframing the Work of Nonprofit Boards*, Hoboken: John Wiley & Sons Inc,

b) Australia

- B19 There is also substantial interest in the effectiveness of higher education governance in Australia. Although the system follows UK approaches to governance quite closely, there are some significant differences as variations in practice are caused by higher education being a shared federal and state responsibility. As in the US, this can lead to different levels of intervention by state legislatures (despite overall policy being determined federally). Governance structures are similar across the Australian higher education system (public funding of Australian universities rests on institutions fulfilling a range of accountability requirements, including audit legislation and transparent financial management), but there may be significant differences in the culture of governance.
- B20 Developments in Australian university governance also bear resemblance to UK reforms. The 1995 Hoare Review¹⁰⁹ made a number of criticisms of governance, including the need for clarifying the role of governing bodies, reducing membership size, ensuring that members had relevant experience to equip them to serve as governors, and had access to a high standard of information to assist them in making decisions. Subsequently, other changes in governance have been prompted by concerns: over the negative effects of increased entrepreneurial and commercial activity by universities; that some vice-chancellors and senior managers were perceived to be acting outside defined arrangements for ensuring accountability; and more general worries about the broader developments in corporate governance, including new guidelines issued by the Australian Stock Exchange.
- B21 Two important documents followed. First, there was a discussion document produced by the Australian government in 2002 entitled 'Meeting the Challenges: the Governance and Management of Universities', and then a second policy document 'Our Universities: Backing Australia's Future'¹¹⁰, which suggested a number of measures to give effect to the proposals in the original Hoare Review. It also highlighted the need for HEI governing bodies to have greater representation from business, industry and the community to ensure that commercial and financial interests were being handled to a high standard, and that public funding should be tied to certain standards. Subsequently the Australian Department of Education, Employment and Workplace Relations negotiated new national protocols for higher education which were implemented through the use of funding incentives¹¹¹. By 2005, all universities were found to be compliant (or near compliant) where changes simply remained subject to legislative processes.
- B22 Similar developments occurred in New Zealand, and the 2003 review of tertiary education governance¹¹² concluded amongst other things that sound board processes and structures were necessary but not sufficient conditions for effective board performance, and that increased attention had to be paid to factors such as behaviour, leadership, and developing and effective board culture.
- B23 Such changes have been controversial, and whilst generally supported by the main higher education sector bodies, specific proposals (including the reduction in board size) were challenged by a number of universities. A particular concern to some commentators has been the perceived loss of collegiality, and the decline of involvement by academic staff in decision making. For example, Rytmeister¹¹³ comments on the potential value of staff and student participation as governing body members, and on the misplaced notion that they were the only members who might have a conflicting loyalty beyond the governing body, citing some external members who brought to boards their own policy perspectives that were not consistent with the institutional mission.

¹⁰⁹ Higher Education Management Review, (1995), Report of the Committee of Inquiry, AGPS, Canberra ACT

¹¹⁰ Australian Government Department of Education, Science and Training, (2003), *Our Universities: Backing Australia's Future*, Canberra ACT

¹¹¹ Department of Education Science and Training, (2004), *National Governance Protocols for Higher Education Providers*, In Commonwealth Grant Scheme Guidelines, Canberra, ACT

¹¹² Edwards M, (2003), *Review of Tertiary Education Institution Governance*, Ministry of Education, Wellington

¹¹³ Rytmeister C, (2007), *Working together in governance?*, Australasian Association for Institutional Research, 2007 Forum Papers, Sydney, at www.aaair.org.au/jir/html/Forum.htm

- B24 In practical terms, Australia has seen several attempts to review governance effectiveness, for example, Kiel and Beck¹¹⁴ have suggested four elements to reviewing university boards: defining governance roles; improving governing body processes; reviewing governing body functions; and continuous improvement. In each area they suggest a process involving answering seven questions: clarifying board objectives; identifying who will be evaluated; agreeing what will be evaluated; who will be asked; the techniques to be used; who will undertake the evaluation; and agreeing what happens to the results.
- B25 Recently, support for leadership, management and governance has been stimulated by the establishment of the LH Martin Institute for Higher Education Leadership and Management - based at the University of Melbourne although it has a national role. This has a similar (although slightly more limited) function to the Leadership Foundation in the UK, including running development activities for governors.

c) The Netherlands

- B26 A brief note on changes to the Dutch system of university governance may be useful. There are currently 13 universities in the Netherlands that have been legally separate entities since 1960. Like the UK, the USA and Australia, Dutch universities have undergone significant governance changes in the last 20 years. The 1997 Act on the 'Modernisation of the University Governing Organisation' (MUB) was the vehicle for many of these changes.¹¹⁵ Pre-1997 Dutch higher education governance consisted of a complicated dual system of interaction between a large executive and representative student and staff councils. Because of the sheer number of individuals and bodies involved in decision making, the process was slow and sometimes difficult to understand, with implications for transparency.
- B27 The 1997 MUB signalled the rise of 'new public management' in higher education governance¹¹⁶. This provides a more corporate approach to university governance, giving greater powers to a refined executive and allowing representative councils only advisory powers¹¹⁷. In addition - using a typical Dutch approach - supervisory boards (the equivalent to governing bodies) of five lay members were established for each institution. These lay only boards have considerable power including appointing the executive and reporting to government on an institution's policies and performance.
- B28 As in Australia, there have been mixed responses to the impact of the MUB and related governance reforms. Some argue that the new, smaller executives and supervisory boards are more efficient in terms of decision making because of their concentrated power, and are better at strategic development. However, there are also concerns about the obvious concentration of power, with students and staff (particularly academics) typically arguing that they feel distanced from the new governance processes and do not understand how they function. This conflicts with a policy aim to increase transparency in the new governance system. Such tensions will be familiar to a UK readership, but are indicative of just how widespread are the changes occurring in higher education governance.

¹¹⁴ Kiel G and Beck J, (2006), Seven steps to effective board and director evaluations, at https://surevys.effectivegovernance.com.au/docs/seven_steps_to_effective_board_evaluations.pdf

¹¹⁵ University Government (Modernisation) Act (MUB), 1997

¹¹⁶ European Union (2006), Education and Culture Directorate-General, The Extent and Impact of Higher Education Governance Reform Across Europe

¹¹⁷ Huisman, de Boer and Goedegburre (2006) The perception of participation in executive governance structures in Dutch universities, Tertiary Education and Management, vol 12

Private Sector Developments

- B29 The relationship between governance in the private sector setting and higher education is an important aspect in the understanding of the wider context of governance in universities and colleges. Private sector developments are acknowledged to have driven governance changes, and greater accountability and transparency have been seen as critical in terms of engendering trust amongst both shareholders and the public, an aim which - in the financial sector at least - has clearly been set back substantially as an outcome of the 'credit crunch'.
- B30 The first attempt in the UK to clarify the duties and responsibilities of company boards (Cadbury, 1992) emphasised the supervisory role of non-executive directors. A key part of its report was a recommended code of practice with which the boards of all Stock Exchange listed companies registered in the UK were required to comply. The Cadbury Report was followed by others on related aspects of governance: in particular the Greenbury Report (1995) and the Hampel Report (1998). The various recommendations contained in these were drawn together by the Financial Reporting Council (FRC) and published as the Combined Code in 1998. This itself was updated in 2003¹¹⁸ taking account of: the Turnbull report on internal controls (1999); the Myners review of institutional investment (2001); the Higgs review of the role and effectiveness of non-executive directors (2003); the Tyson review of the recruitment and development of non-executive directors (2003); and the Smith review of audit committees (2003). The revised Combined Code operates on the 'comply or explain' principle (subsequently adopted in the CUC Code for higher education).
- B31 As might be expected there is a substantial literature on company board effectiveness, much of it only partly relevant to higher education. Some of this research is usefully brought together in two publications by the Institute of Directors (IoD): a 1995 research study conducted in collaboration with Henley Management College on achieving board effectiveness¹¹⁹, and a review of the characteristics needed to create 'an effective director'. So far as the first study is concerned (based on data from focus groups, two surveys of board directors, and submissions from approximately 1000 directors) a model for an effective board was developed based on four broad areas: organising and running the board; personal competencies and knowledge; achieving board tasks; and indicators of good practice. However, the model did not explore the explicit link between board effectiveness and company performance.
- B32 More recently, Bain¹²⁰ (himself Chairman of the IoD) has identified some of the key collective and personal attributes that effective boards require. Based on a critique of the quality of much private sector governance, he calls for much greater attention to be paid to reestablishing trust and integrity in governance and management, a charge amply justified in the light of subsequent scandals. Perhaps most relevant to higher education governance is Bain's discussion of the IoD's 'Standards for the Board' which defines the following personal attributes (each in turn sub-divided into different categories): strategic perception; decision making; analysis and the use of information; communication; interaction with others; and the achievement of results. Clearly these attributes will manifest themselves in very different ways in the relatively large governing bodies typical of the not-for-profit sector compared with small private sector boards with executive membership, but - selectively used - they remain a potentially useful list of attributes for HEIs to consider when recruiting board members.

¹¹⁸ The Code can be found at www.frc.org.uk/documents/pdf/combinedcode.pdf

¹¹⁹ Institute of Directors, (1995), *Good Practice for Directors - Standards for the Board*, London

¹²⁰ Bain N, (2008), *The Effective Director*, Institute of Directors, London

B33 In an attempt to pursue the link between an effective board and a high performing organisation, the Association of British Insurers (ABI) commissioned an interesting research study in 2007¹²¹. This noted that little empirical evidence existed to relate governance to company performance, not least because of the methodological problems involved. However, using the International Voting Information Service (IVIS), the ABI study found "robust links between the quality of a company's governance system and its long term operating and stock market performance". IVIS is a system used by the ABI to provide basic information to potential institutional investors on all UK listed companies in relation to their level of compliance with the FRC Combined Code. Although using compliance with the Combined Code as an indicator of effective governance in action is a highly questionable methodology, it does at least provide a consistent indicator of one aspect of effectiveness, and it could be argued that those companies that comply in full with the Code (and therefore who score most highly in the IVIS approach) are at least demonstrating an active interest in governance with some associated commitment to implementing good practice.

B34 Using this methodology, the ABI study concluded amongst other things that between the period December 2002 and November 2007:

- That "over a five year period companies demonstrating good governance delivered "higher average share price returns after controlling for underlying volatility".
- That companies that receive a so-called 'red top' (indicating the highest level of concern about governance) "are less profitable and generate less value over time for shareholders than other companies".
- However "whilst good governance improves profitability and value creation, these are long run relationships that take several years to crystallise. We find lags of two and three years in the relationship between poor governance and inferior performance. This focusing on short term links between organisational governance and performance may be misguided".

In making these findings, the study considers the issue of causality, and concludes that "it is governance that has an impact on performance rather than the other way round".

B35 Although such studies are of interest to higher education governance, more relevant practice in the private sector may - perhaps - be found amongst partnership or cooperative organisations, whether for-profit or not. Internationally, organisations based on such structures are very much alive and well. They range in size from major for-profit cooperatives to very small community based initiatives, and include major companies in the USA and Europe¹²². The governance of such organisations is directly relevant to HEIs, because in most cases a key element of governance is how members or partners should be involved, and how to balance participation with efficient board decision making - an issue which has a very strong parallel with that of the role of collegiality in HEI governance.

B36 Typically partnership or cooperative governance structures have to wrestle with at least four issues which directly raise the issue of participation:

- The role of the supreme governance body, how it relates to management, how members are selected, and how it can remain in touch with what is going on. The more complex and/or international the organisation is, the more challenging the task and the more costly governance becomes, for example in having regular meetings to exercise the necessary oversight functions. In most cases this body is responsible for what might be characterised as the 'standard' functions of governance: agreeing and monitoring overall strategy, ensuring financial health

¹²¹ Selvaggi M and Upton J, (2008), Governance and Performance in Corporate Britain, ABI Research Paper 7, Association of British Insurers

¹²² For a list of the largest cooperatives see the Global 300 list at www.global300.coop

(including agreeing annual budgets), reviewing the performance of those to whom management responsibilities have been delegated, etc. Depending upon local factors and institutional size there are variations on such issues as responsibility for appointing key managers, and the management of risk. For almost all cooperatives and partnership organisations, ensuring that core values are maintained is also typically a key activity.

- The size of the supreme governance body in order to give members or partners confidence that their voice will be heard, and what its composition should be. Many international cooperatives or partnerships specify membership by geographical area (region or country), and also by organisational structure - for example with a representative from each subsidiary or company (the large Basque cooperative Mondragon), or group of shops (John Lewis), or banks (Rabobank). Partnerships and cooperatives of this type typically have a much larger number of members in their governing bodies than other types of organisation.
- In cases where the supreme body delegates some functions to a smaller group there are issues about what size this should be and how its members should be chosen. Typically, where the governing body is too large to be an effective decision making and managerial entity, a smaller executive committee exists. A common way of appointing the members of the senior committee is by election of members of the larger board (in some cases at annual general meetings), although frequently many members may be ex officio, due to their management role or position as honorary officer or committee chair.
- Whether some form of advisory body is needed to represent the interests of special categories of member or stakeholder and, if so, what kind of role it should have. For example, CfBT (see below) issues shares of £1 each to about 50 educational experts, who meet at an AGM to elect the trustees and chairs of committees, but between meetings are available to the company as professional advisers. In John Lewis (see below) a Business Strategy Group drafts the business plan for the Partnership Board and discusses major commercial initiatives. It is made up of executive directors and is purely advisory to the Board.

B37 In his book on higher education governance Shattock¹²³ also draws attention to the potential relevance of partnership models of governance to HEIs, and cites the example of the legal firm Clifford Chance which has more than 650 partners spread internationally and takes important decisions by postal ballot "perhaps balloting them ten times a year". However, several other examples, provide an interesting illustration of effective governance in action within partnership structures.

B38 The first example is the household name of the John Lewis Partnership, which has a governance structure with many parallels to higher education. It employs 69,000 staff (called partners) in the UK and was founded as a partnership, and in the competitive world of retailing has an unusual corporate governance structure reflecting its values giving every partner a voice in the business they co-own. These values also include "high standards of corporate governance [which] are at the heart of the Partnership: our structure gives our management the freedom to be entrepreneurial and competitive in the way they run the business for long-term success, while giving the company's owners, the partners, the rights and responsibilities of ownership through active involvement in the business"¹²⁴.

B39 The most senior body in this structure is the Partnership Council which represents all partners, and has 87 members most of whom are elected by partners. Each main retail outlet has its own branch council where partners participate. There is also a Partnership Board responsible for the management of commercial activity, and members include the chairman, five directors appointed

¹²³ Shattock M, (2006), op cit

¹²⁴ Extract from [www.johnlewispartnership.co.uk/about us](http://www.johnlewispartnership.co.uk/about-us). See partnership

by the chairman, five directors elected by the Partnership Council, and two non-executive directors. The main role of the Partnership Council is "to hold management to account - it has the power to discuss any matter whatsoever... The Council has the ultimate responsibility of dismissing the Chairman if he fails to fulfil his responsibilities... The Chairman appears before the Council twice a year to report and answer questions on his running of the Partnership. Other key directors report once a year"¹²⁵.

- B40 There are two other key bodies. First, John Lewis and Waitrose have divisional councils, with at least one elected councillor to represent each branch. Elections to the councils take place every two years, with partners voting in constituencies that are decided by three trustees of the John Lewis constitution. Councillors are elected to represent partner opinion, but not to act as delegates of their constituents. Their responsibility is to exercise their judgement for the best interests of the Partnership as a whole, not to promote sectional interests. Freedom of speech is guaranteed. Second, each John Lewis selling branch has a branch forum (the members of which are selected by their fellow partners to represent them), and each Waitrose selling branch has a partner voice forum (the local avenue for partner opinion and the means by which partners can provide feedback, question management on branch matters, raise their own issues and be consulted). Similar arrangements apply for the head offices and other services.
- B41 This structure is set out at some length because of the correlation between a highly successful business and explicitly collegial governance. Observations on why this structure is successful probably include: a concentration on 'core business', high quality products and services; the absence of shareholders seeking to maximise share value; strong institutional loyalty amongst partners (partly because of progressive employment policies); and an absence of diversity in organisational structure. This latter point contrasts significantly with higher education, where the complexities of organisation and multiple motivations of those involved provides a complication (and potential conflict of loyalties) which may not occur in John Lewis.
- B42 The second example is very different and much nearer to higher education. The CfBT Education Trust is a businesslike educational not-for-profit charity based in the UK employing some 2,500 people in schools and educational projects throughout the world. It has grown rapidly in the last few years, and is clearly a successful organisation with a turnover of around £100m. Its trading activities are undertaken through a company limited by guarantee and it issues shares of £1 each to about 50 members who are educational experts. These meet at the AGM to elect the Council of Management (consisting of 10 trustees) and chairs of committees, but between meetings are available to the company as professional advisers. Governance is based on a clearly articulated vision of providing education for public benefit, and responds to requests from governments and agencies for help in educational projects, as well as delivering education in many countries of the world in its own schools and those owned by governments. The management challenge is partly the same as that faced by international consultancy organisations, but is allied to the need to ensure its own educational values are central to everything it does. Retaining and exchanging knowledge about educational practice is a core concern of the organisation so that teachers and schools in one country can benefit from ideas and experiences of those in another country.

¹²⁵ Extract from www.johnlewispartnership.co.uk see partnership council

- B43 In governance terms CfBT follows a commercial management model with a board that meets monthly, receiving financial and operational reports from the operational divisions and subsidiary companies in the major countries where it works. This board reports to the council of management and through them the AGM, but also distributes most of the surpluses generated to educational research projects throughout the world. The organisation's rapid growth and success has been attributed to its willingness to take risks in new markets and educational environments. The organisation ensures that it does not get stale by advertising for new trustees and drawing on the advice and services of the 50 company members from a wide range of educational backgrounds.
- B44 Although not a cooperative, the governance approach of CfBT is relatively simple and encourages nimbleness, thereby creating a sound basis for achieving competitiveness in a difficult international market. Its approach to using identified experts as members/shareholders ensures a high level of professionally credible advice and the maintenance of its value system, whilst leaving the main board to deal with operational issues.
- B45 There are other examples that could be cited, but the basic point has been to demonstrate two ideas: first, that any simplistic notion of private sector boards is best avoided, and that within that sector there are very different examples of practice to suit different circumstances and values; and second, that (notwithstanding the ABI study - see paragraph B33), there are at least some organisations that can claim a clear linkage between their effectiveness in commercial terms and their governance structures.

Governance in Parts of the UK Public Sector

- B46 There tend to be different emphases on the term 'governance' in different parts of the public sector, in some cases focusing on the general operation of governing boards, but in other areas (notably local government and health) addressing the relationship between public and private, elected and appointed, and related questions of efficiency and accountability. To take one example, governance in health and schools are particularly different, with the NHS favouring an appointed model of membership (based on private sector boards) that whilst providing the necessary skills and experience has previously lacked community or patient representation. This has led to accusations and concerns about a 'democratic deficit' - see below. The schools sector, on the other hand, is highly representative, with parents and parents groups playing a large role in governance. However, their - general - lack of governance experience arguably makes them less effective governors. These tensions have been addressed in some other sectors by using two tiers of governance: a larger representative body and a smaller board of governors (an approach supported by the Association of Chief Executives of Voluntary Organisations)¹²⁶.
- B47 Two further issues which separate much - although perhaps not all - public sector governance from that of higher education are the relative lack of institutional autonomy and the nature of the services provided. The implication of the first of these is relatively clear, in that most public governance takes place in the context of boards (whatever they may be called) which are accountable for implementing government policy. There is, therefore, much less freedom of action, although it is, of course, not entirely absent. However, much of the literature on board effectiveness is predicated on a private sector approach, which - by definition - assumes freedom of action by boards, with all the associated emphasis on strategy, adding value, and so on. There is an obvious potential paradox here, and in the NHS foundation hospital trusts are clearly a step in trying to address it.

¹²⁶ Association of Chief Executives of Voluntary Organisations, (2003), *Rethinking Governance: the Results of the ACEVO Governance Inquiry*, London: ACEVO

- B48 The second difference is less obvious: most public services operate on a 'fitness for purpose' basis, with value for money being a crucial taxpayer consideration. Indeed there may be substantial debate about what services should be paid for from public funds (as in the case of the National Institute for Clinical Excellence formulating policy on drug availability). A major element in effective governance then becomes ensuring that service provision meets defined standards, whilst trying to achieve optimal value for money. However, institutional success in much of higher education and the private sector does not assume a fitness for purpose approach, but rather one based on growth and achieving excellence or maximising shareholder value. This clearly poses a somewhat different set of governance challenges, and certainly different conceptions of governance effectiveness which are much more likely to involve consideration of institutional performance as a whole in a competitive market place (see Section 4 of the main report).
- B49 Perhaps the most important overall contextual issue to identify concerning governance in the public sector, has been the development of the Good Governance Standard for Public Services¹²⁷, produced for the Independent Commission on Good Governance in Public Services, made up of OPM, CIPFA and the Joseph Rowntree Foundation (see Figure 1). This builds on the Nolan principles for governance, and is useful in attempting to obtain an agreed cross-sector foundation for examining governance. Whilst some of the 'standards' are relatively self-evident, two are worth highlighting in terms of their application to higher education: focusing on outcomes for citizens and service users, and promoting values and demonstrating good governance through behaviour. Both tend to be relatively ignored areas in much of the governance literature, but raise fundamental issues about the responsibilities of governing bodies beyond accountability to funders, and legal and regulatory compliance. The survey undertaken by OPM for the Leadership Foundation and CUC was based on this set of governance standards (see Appendix A of the main report).

FIGURE 1

GOOD GOVERNANCE STANDARDS



¹²⁷ The Independent Commission on Good Governance, (2005), op cit

a) The National Health Service

- B50 Until 1990 governance in the National Health Service was performed by various health authorities, whose membership included some elected members and medical staff. Following the 1990 NHS and Community Care Act, local authorities and medical staff were removed from boards. (This is in contrast to police authorities and some national public bodies that have a 'supervisory body' made up entirely of non-executives.) In 1990 health care within the NHS was divided into a number of quasi-autonomous entities or 'trusts', and these changes were accompanied by the adoption of a more explicit management approach, whereby trust management is carried out by a board of directors headed by a chief executive.
- B51 A feature of the literature on the governance implications of the move from health authorities to NHS boards, is whether a more 'private sector' approach is appropriate. For example, Clatsworthy et al¹²⁸ conclude that this is not the case, and that private sector models cannot be applied in the public sector without adaptation. They suggest that, assuming financial probity is established, more focus should be placed on the delivery of health care in accordance with the wishes of the population through greater empowerment of local communities. A similar argument is made by Ashburner, who notes that governance structures in the NHS have been criticised for being modelled on the private sector and neglecting public accountability. She suggests that "while small changes of emphasis are evident, there has been no effort to introduce local, democratic decision making in the formal sense"¹²⁹.
- B52 The subsequent establishment of foundation trusts by the Health and Social Care (Community Health and Standards) Act 2003 represents a further change in governance in the NHS, and may provide an opportunity to address some of the concerns raised about lack of public engagement on NHS boards. Foundation trusts can be established in law as new legally independent public benefit corporations, with a primary purpose of providing NHS services to patients. The trusts are not under the jurisdiction of the Secretary of State for Health or a strategic health authority, and represent a substantial easing of the regulatory control issue noted in paragraph B47. A draft document by CIPFA¹³⁰ notes that the governance structure of foundation trusts has three main components:
- A membership community, made up of local people, patients and staff.
 - A board of governors, which will include governors elected from the membership community as well as people appointed from primary care trusts and local authorities.
 - A board of directors, made up of non-executive directors appointed by the governors and executive directors appointed by the non-executive directors.

Members of foundation trusts can elect governors to represent them, can stand for election as a governor, put themselves forward as the chair or a non-executive director of the trust. and have the right to be consulted on the foundation trust's future plans.

- B53 The expected benefits of this new approach are a greater sense of ownership and engagement of patients, resulting in an improvement in the quality and responsiveness of services. The foundation trust concept of 'membership' has potential similarities with higher education institutions, where membership could refer to staff and students, who already have some powers with regard to electing and appointing governors. Whilst some of the powers afforded to foundation trust membership would not be transferable (eg members putting themselves forward as the chair), principles about the right to be consulted over future plans for the institution might be.

¹²⁸ Clatsworthy M A, Mellett H J, and Peel M J, (2000) 'Corporate Governance Under New Public Management: An Exemplification, Corporate Governance

¹²⁹ Ashburner L., (2005), op cit

¹³⁰ CIPFA, (2004), Overview of current governance structures and guidance for public services - Paper 4, CIPFA with Joseph Rowntree Foundation & OPM, 2004

- B54 Governance structures beneath board level generally reflect a clear separation between 'corporate governance' and 'clinical governance', which is both a legacy of the historic role of consultants, and also a recognition of the unique nature of health service provision. It has no equivalent elsewhere in public sector governance, but there is, of course, a strong parallel with the position concerning academic governance within higher education, indeed it might be argued that this is where governance in NHS trusts and HEIs have the closest links.
- B55 An NHS Foundation Trust Code of Governance has been developed which builds on the FRC Combined Code of Corporate Governance, and key elements include a requirement for at least 50% of board members to be non-executive, an emphasis on the importance of good quality information, and the need for active performance evaluation of the board. Unlike those in higher education, members of NHS boards are remunerated. Further details of the work of trust boards can be found at the website of Monitor, the independent regulator of foundation trusts¹³¹. Various materials have been produced to help board members in their role, for example 'The Integrated Governance Handbook'¹³² and 'The Intelligent Board'¹³³.
- B56 A review of foundation trusts by the Healthcare Commission in July 2005 found a number of positive aspects of foundation trust governance including: the concept of membership had meant that individual trusts had drawn in between 1,000 and 16,000 members of the public and patients; leadership, accountability and responsibilities were clearer at board level; there was greater attention to financial risks, strategic issues and working in partnership. However, the review also found a number of negative outcomes including: substantial variability in practice between trusts; limited action to involve underrepresented groups; unclear governor roles in many cases; an overlap in functions between the board of governors and public and patient forums; and generally low engagement of staff.
- B57 It is too early for much research to have been undertaken on the longer term effectiveness of the new governance structures in the NHS, and - as noted above - most of the analysis to date has concerned membership issues, public and patient engagement, addressing well recognised problems such as inconsistent management information, and related areas. However, some interesting issues are starting to emerge, for example, an initial study by Lewis¹³⁴ of the experience of foundation trust status in Homerton Hospital noted that foundation trusts faced the problem of what it called the 'professionalisation of the lay view' as the effectiveness of governors is heavily determined by their knowledge of the wider NHS. This knowledge is increased by greater contact with the trust and its management, but with the consequent dangers that this can lead to governors becoming too close to management thinking and values. The author concludes that "paradoxically, perhaps, the more effective a governor, the less that governor can be considered lay" - a challenge that certainly faces lay members on governing bodies in HEIs.

b) Local Government

- B58 Of all the various forms of public sector governance, local government is the one that has least relevance to higher education. Decision makers are directly accountable to local electorates, which whilst potentially ensuring a high level of transparency, may disguise organisational or service failures because of the party political environment. Key aspects of governance highlighted above such as trust, open communication, and so on, may also suffer in such an environment.

¹³¹ www.monitor-nhsft.gov.uk

¹³² (2006), Integrated Governance Handbook, Department of Health at www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4128739

¹³³ (2006), The Intelligent Board, Dr Foster Research Team at www.networks.nhs.uk/networks.php?pid=290

¹³⁴ Lewis R, (2005), Governing Foundation Trusts: A new era for public accountability, London: King's Fund

- B59 Dissatisfaction with the inadequacies of local government has been widespread, and at worst key decisions may be made behind closed doors by the majority group (ie councillors of the ruling party) then presented to committee and to the council as a whole to be formally endorsed. In such circumstances local authorities are not so much decision making bodies as decision taking, with key proposals for action first decided on by key members of sectional interest groups, and then 'rubber stamped' by the system of representative democracy.
- B60 Faced with this situation, the Local Government White Paper 2000 made significant proposals to alter local authority governance structures by requiring councils to: move from their traditional committee based system of decision making to an executive model, possibly with a directly elected mayor (subject to approval by referendum), and with a cabinet of ruling party group members to create a consequent separation of councillor functions between executive and representative, with backbench members fulfilling an overview and scrutiny role. These changes have brought about a greater concentration of power, and emphasis on cabinet models and US-style executive mayors has been concerned with creating more effective, clearly defined leadership, rather than stronger democratic accountability and public engagement.
- B61 In order to provide support to local authorities in enhancing governance, the Chartered Institute of Public Finance and Accountancy (CIPFA)¹³⁵ and the Society of Local Authority Chief Executives and Senior Managers (SOLACE)¹³⁶ have produced the Delivering Good Governance in Local Government Framework¹³⁷ which identifies good practice for developing and maintaining a local code of governance and ensuring governance is transparent and accessible. The Framework identifies six core principles:
- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area.
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 - Developing the capacity and capability of members and officers to be effective.
 - Engaging with local people and other stakeholders to ensure robust public accountability.
- B62 The Framework suggests that local authorities use these principles to guide their own governance structures and test existing structures against them, that they develop an up to date local code of governance, and that they prepare a governance statement to report publicly on the extent to which they comply with their own code on an annual basis, including the way they have monitored the effectiveness of their governance arrangements in the year, and any planned changes for the coming period¹³⁸. A study by the Audit Commission¹³⁹ on the implementation of the six principles of the Framework has subsequently found acceptable levels of performance in a majority of councils on most of the six, the exception being risk management and internal control.

¹³⁵ See www.cipfa.org.uk

¹³⁶ See www.solace.org.uk

¹³⁷ www.cipfa.org.uk/panels/corporate_governance/index.cfm

¹³⁸ www.cipfa.org.uk/panels/corporate_governance/good_gov_briefing.cfm

¹³⁹ Audit Commission, (2003), Corporate Governance: Improvement and Trust in Local Public Services, Audit Commission

c) Schools

- B63 The nature of governance in schools was changed by the 1986 Education Act, which reconstituted governing bodies to include parental, teacher and community representation. The composition and structure of school governing bodies is determined by the size and type of school, and the governing body may include partnership, foundation, co-opted or representative governors (the presence of the head teacher as a member of the governing body being optional). Further changes have seen school governing bodies take on responsibilities for school leadership and strategic development, and increasingly a school governing body is modelled on elements of the private sector.
- B64 The responsibilities of school governing bodies now include: helping raise the standards of pupil achievement; planning the school's future direction; selecting the headteacher; taking decisions on the school's budget and staffing; establishing and implementing a performance management policy for appraising staff; ensuring the national curriculum is taught; deciding how the school can encourage pupils' spiritual, moral and cultural development; making sure the school provides for all its pupils including those with special needs; and accounting for the performance of the school to parents and the wider community. For more information on these responsibilities and how they are carried out see the Governornet website for school governors¹⁴⁰.
- B65 Although there are numerous differences between school governance and that in HEIs, one of the most apparent is the high degree of governor involvement which is typically encouraged, which makes the separation of governance and management difficult. In addition to the specific responsibilities of school governing bodies, there are several other reasons for this closer involvement, most obviously the lack of a substantial specialist administration in schools which means that governing body members may well become involved in advising on management issues such as finance, HR, and other areas. This involvement may influence the extent to which a board can act in a critical friend capacity.
- B66 Data from Ofsted shows a mixed picture in relation to school governing body effectiveness. In a report entitled 'The Work of School Governors', Ofsted noted that the leadership and management of schools continues to get better, showing improvement in three quarters of primary, secondary and special schools¹⁴¹. Effective governing bodies for schools are claimed from this report as: showing focus and direction in their leadership; fulfilling their role as a critical friend to management; displaying awareness of the school's strengths and weaknesses; being fully involved in the day to day running and leadership of the school; being well trained and informed; and being enthusiastic about their roles as governors. The same report claims that weak school governance is characterised by: non-compliance with statutory requirements for collective worship, sex education, information technology across the curriculum, and the requirement for a governors' annual report to parents; over dependency on the headteacher of the school to provide information on how the school is performing, and as a consequence (in many cases) the governing body failing to act as a critical friend; a lack of awareness of their statutory responsibilities with regard to the curriculum and the requirement for them to monitor school performance; an insufficient awareness of their statutory duties; and a lack of training, resulting in an ineffective governing body that is unaware of its responsibilities.

¹⁴⁰ www.governornet.co.uk

¹⁴¹ Ofsted, (2002), *The Work of School Governors*

- B67 A second Ofsted report confirms a mixed picture, and highlights that effective governing bodies (as defined by them to include active involvement in strategic activity) only exist in about a quarter of schools. Ofsted concludes that this is due to the fact that governors have insufficient knowledge of the strengths and weaknesses of schools and are not able to engage fully in the monitoring and evaluation of policy¹⁴².
- B68 Outside 'official' reports, other studies also confirm a mixed picture, for example, Farrell recently found that relatively few governing bodies are involved at a high level in determining strategy within schools, with head teachers and other staff playing a more much dominant role¹⁴³. Instead, much of the role of governors was found to be relatively passive, and more akin to 'rubber-stamping'. Farrell concluded that the extent to which unpaid volunteers can possess the capacity to become involved in strategic decision making within schools must be limited in comparison to the staff within schools who have greater familiarity with educational provision. In this last point at least there are echoes of challenges facing governing bodies in HEIs, where getting to grips with the complexity of the large modern university is a challenge for all new lay governors.

d) The Voluntary Sector

- B69 Finally, the position in the voluntary sector is summarised. In some ways this has most similarities with the governance position in HEIs, although the vast range of voluntary organisations makes general comparisons difficult - for details of the range of voluntary and community organisation (NVOs) see the National Council for Voluntary Organisations website¹⁴⁴. NVOs are now viewed by government (both local and national) as key providers of public services, with associated pressure to enhance governance. As in other sectors, the NCVO Governance Hub has created a voluntary code for the voluntary and community sectors. It suggests maximum terms of office for governors, principles for delegation to committees and regular training and development opportunities for governors. Unlike other codes, it does not make recommendations about the proportion of non-executive directors on boards.
- B70 Substantial guidance on governance is produced by the NVCO¹⁴⁵, including a substantial 'Good Trustee Guide' which defines a number of key responsibilities: setting and maintaining mission and values; developing strategy; establishing and monitoring policies; ensuring compliance; ensuring accountability; maintaining fiscal oversight; respecting the role of staff/volunteers; maintaining effective board performance; promoting the organisation; setting up employment procedures; and selecting and supporting the chief executive. Whilst typical of board responsibilities, promoting the organisation is an interesting addition, and relates to the ambassadorial role that many trustees have.
- B71 In a useful study commissioned by the NVCO Governance Hub, Parker¹⁴⁶ reviewed governance performance in the voluntary sector, and the findings appear to have substantial resonance for governance in HEIs. In particular:
- The main drivers for enhancing board performance were: leadership from the board chair and senior members; commitment from management; a strategy for improvement; a 'learning culture' which enabled development to take place and governance reviews to be implemented; and effective communication. With these drivers in place, governance improvement is complex but possible, but needs sustained activity.

¹⁴² Ofsted, (2003), Leadership and Management - What Inspection Tells Us

¹⁴³ Farrell, C, (2005), Governance in the UK Public Sector: the Involvement of the Governing Board', Public Administration

¹⁴⁴ see www.ncvo-vol.org.uk

¹⁴⁵ see www.ncvo-vol.org.uk/governanceandleadership/?id=9164

¹⁴⁶ Parker M, (2006), Measuring Governance Performance, Governance Hub, at www.ncvo-vol.org.uk/publications/publication.asp?id=9250

- The main barriers to enhancing governance were: a lack of commitment; a lack of skills and knowledge; resistance to change; the time available to trustees; and (for small VCOs) resources.
- A 'one size fits all' approach to enhancing governance does not work, but organisations typically need to adopt an approach suitable for them.
- Boards do have leverage to improve their organisation's overall performance through a focus on board performance.
- However, the concept of organisational performance and the contribution of governance to it remains contested, and perceptions differ between the multiple agencies and stakeholders involved.
- The potential for enhancing governance is likely to be diminished in those VCOs which experience difficulties in recruiting new trustees.

All these findings will be familiar to HEIs whose lay members are also unpaid volunteers giving their own time to their institution.

B72 The study goes on to explore earlier work in the voluntary sector by Holland¹⁴⁷, who after a three year review of 24 VCOs concluded that effective boards can be characterised by six dimensions of competence: contextual (understanding of mission and values; educational (board development, information, and support); interpersonal (board dynamics); analytical; political (relationships with key constituencies); and strategic. Eagle eyed readers will have spotted that these are the same dimensions as proposed by Chait for US universities (see paragraph B5), thereby reinforcing the linkage of issues between the voluntary sector and higher education.

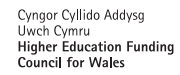
¹⁴⁷ Holland T P and Jackson D K, (1998), Strengthening Board Performance: Findings and Lessons from Demonstration Projects, *Nonprofit Management and Leadership*, 9:2, 121-134

ABOUT THE AUTHOR:

Allan Schofield an experienced management consultant he has two main roles: as a part time Key Associate of the Leadership Foundation where he leads on governance matters; and running the Higher Education Consultancy Group (his own consultancy) for the past 20 years. In the area of governance he:

- Is the Project Manager for several of the governance activities overseen by the Enhancing Good Governance Steering Group
- Is the Programme Manager for the Governor Development Programme of the Leadership Foundation running approximately 15 events a year for members of governing bodies on a wide range of topics.
- Was the joint author of the study commissioned by CUC on six areas of good practice in university governance (see www.shef.ac./cuc).
- Has assisted a number of universities with governing body effectiveness reviews, and before joining the Leadership Foundation undertook a large number of assignments on governance issues in universities.
- Wrote and produced the publication 'Getting to Grips With Governance' for SCOP/GuildHE.

Because of his work in these areas, he has an extensive knowledge of developments in higher education governance both in the UK and overseas.



**Leadership
Foundation**
for Higher Education

E info@lfhe.ac.uk
www.lfhe.ac.uk