



**Students without Borders,
Universities without Illusions:**

**Why international mobility will cause
a quality revolution in our universities.**

BRIAN LEE CROWLEY

AIMS COMMENTARY

Atlantic Institute for Market Studies

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Notes from a keynote address to the Annual Conference of the
National Association of University Board Chairs and Secretaries (NAUBCS)

delivered by

Brian Lee Crowley, Ph.D

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Ladies and gentlemen,

Many thanks to the event organisers, and particularly Paul Dyer of Saint Mary's University, for the kind invitation to be here. The theme of today's deliberations, within the context of the internationalisation of post-secondary education (PSE), is "mobility".

I sought clarification on this theme from the organisers, because I thought that mobility covered a multitude of sins. In fact, as I wrote to them,

There is the mobility of international students coming to Canada and elsewhere. There is the mobility of Canadian students going international. There is mobility within Canada (always an issue given provincial jurisdiction). There is the "mobility" of institutions, either physically (setting up international campuses, etc.) as well as in cyberspace, and of course there are degrees of mobility, caused by e.g. visa policies, terrorism policies, income levels, etc. And that doesn't include the mobility of faculty, an equally important dimension.

The message that I got back indicated that what they had in mind was more focused on Canadian students going international, but I must tell you that that in itself is not really all that interesting unless you put it in the context of these other kinds of mobility, and especially in the context of international students entering the marketplace worldwide, and the mobility of institutions.

Just to give you an advance glimpse of what I am going to say to you, the PSE world you have known is collapsing around your ears. You may only be dimly aware of it, because the collapse is so far relatively slow and silent, and there is so much denial going on, but it is gathering pace and will soon be sweeping some if not all of your institutions before it in a way that is unprecedented in the postwar era.

That world has been a largely closed system in which powerful institutions – chiefly governments and public sector universities and their now essentially unionised professoriate – have totally dominated the provision of PSE services. This cozy oligopoly has been dominated by the fiction that there are no important differences between universities, that real competition between institutions (as opposed to superficial competition for high school grads) is somehow vulgar and a social solecism.

Other assumptions underlying this world have been that universities should be chiefly funded through tax dollars rather than through the free choices of the consumers of their services, and that this has been justified, among other things, by social equity concerns. In practice, the effect has been to isolate university administrations and the professoriate from the consequences of their decisions in terms of salary, workload and course offering responsiveness to students, among other things.

The result has been precisely what Adam Smith observed 200 years ago about the difference between Oxbridge and the University of Glasgow. In the first, where the well-being of the professors depended on them satisfying the expectations of their students (because students paid their lecturers directly), those students were well-served. In the universities where the professors lived essentially from the endowment of the university rather than from the money freely given by students in exchange for quality services, the professors were awkward, indifferent and distant.

I think it is worth dwelling for a moment on Smith's analysis, because it is directly relevant to the mobility question. Mobility is, of course, not a cause but an effect. People need to have a reason to move, and so the phenomenon of mobility must be driven by both a perception of inadequate opportunity locally and superior opportunity elsewhere. Here is part of what Smith had to say about the incentives that explained the behaviour of professors in institutions where the consumers of their teaching played little part in providing the livelihood of the faculty:

If the authority to which [the professor] is subject resides in the body corporate, the college, or university, of which he himself is a member, and which the greater part of the other members are, like himself, persons who either are or ought to be teachers, they are likely to make a common cause, to be all very indulgent to one another, and every man to consent that his neighbour may neglect his duty, provided he himself is allowed to neglect his own. In the university of Oxford, the greater part of the public professors have, for these many years, given up altogether even the pretence of teaching.

If the authority to which he is subject resides, not so much in the body corporate of which he is a member, as in some other extraneous persons- in the bishop of the diocese, for example; in the governor of the province; or, perhaps, in some minister of state it is not indeed ... very likely that he will be suffered to neglect his duty altogether. All that such superiors, however, can force him to do, is to attend upon his pupils a certain number of hours, that is, to give a certain number of lectures in the week or in the year. What those lectures shall be must still depend upon the diligence of the teacher; and that diligence is likely to be proportioned to the motives which he has for exerting it.¹

I stand before you as a recovering academic (and one who has taught in at least five of the country's PS institutions, and studied at several more) who believes in the soundness of Smith's analysis, and who has seen its consequences far too many times. I gave up tenure to found my own think tank because it had become clear to me that the universities had largely lost the ability to think critically about themselves, let alone about many social issues. Today's universities in my opinion have become lethargic, with little apparent institutional interest and concern for the relevance and usefulness of the curriculum, and demonstrating little or no capability for innovation.²

The student is merely a unit of income, not a client whose genuine interest and need for versatility in curriculum and program content is to be taken seriously. In most universities there is little or no co-ordinated and deliberate interest from the individual faculty member, the department, Faculty or Senate as to whether programs actually satisfy the rapidly evolving needs of students and the marketplace, let alone that the courses are always available when the students need them in order to graduate within four years. And as for the idea of a continuous degree program (i.e. a twelve-month operation) permitting early completion, if it is raised, it is only to dismiss it.

¹ <http://www.mondopolitico.com/library/wealthofnations/b5c1.htm>

² The analysis of university performance and accountability in the following pages has been much influenced by the draft of a forthcoming paper for my institute by Dr. Kelvin Ogilvie, former President of Acadia University.

This is curious, by the way, in a world where universities express constant concern at the cost to students of a university degree, and yet deliver their programmes in a way that maximises costs for those same students when you consider that the highest cost of attending university is not tuition, nor books nor room and board, but forgone income, income forgone in part because the university is organised to suit the needs and convenience of professors, not students.

Rapid program development in response to social needs and changes in the body of knowledge is rare. Course schedules and offerings are usually determined to fit the desires of faculty with the flexibility of student access way down the list of important issues to consider.

Traditional universities are often stuck in a union atmosphere that has little awareness of the need to move to a post union model of personnel management. One remarkable example regarding course and program development mentioned to me by a former university president who is a fellow at my institute emerged during some work he did to determine the level of e-business programs in Canadian Business Schools for the Canadian e-Business Roundtable in 2000. One response he received from the Dean of a recognizable Business School was that “we will be developing an e-business course once a text book is available”!

Formal accountability and accreditation of Canadian universities is virtually nonexistent. The Association of Universities and Colleges in Canada (AUCC) conducts an initial review of new requests for admission to the club (AUCC) and after a general review those present at a national meeting of the AUCC vote to admit the new member. And there the issue rests. Only in certain professional areas such as chemistry, engineering, geology and computer science and a few others is there a regular (usually every five years) review for professional certification of the specific university program. Those programs approved tell employers that a degree in, say, chemistry from a particular university meets, on paper, the content requirements for the profession in Canada. Many universities carry out reviews, some on a regular basis, of their programs and bring in external academics for the purpose. The value of these reviews is dependent both on the quality of the external reviewers and the ability of the academic administration to act on serious advice in the few instances where truly critical advice is rendered. Since the unit under review usually approves the reviewers it is not surprising that reviews are generally favourable with the major recommendation being more resources for the unit. While governments occasionally make noises about monitoring universities (generally in response to the political climate), these efforts are weakly pursued and generally descend into an accounting exercise.

In reality there is no ongoing academic accountability standard in Canada and few universities have any real idea of the progress of their graduates. Reviews of research programs are sometimes thorough but these have little to do with the undergraduate curriculum. While most Canadians probably still believe, and it is the official ideology of the educational establishment that all universities are roughly equal at the undergraduate level in all areas, they are quite mistaken. There is already a wide spectrum of “quality” in undergraduate education. The annual Maclean’s university survey provides a rough ranking of universities on mostly input measures but nevertheless probably represents a crude estimation of general quality. That is, the universities in the top five and bottom five of each university group probably deserve to be there although perhaps not in the same order with regard to actual academic program quality. The issue is further complicated by the fact that even the poorest overall academic institutions may well have leading programs in specific areas.

Accountability discussions in Canada rarely direct any attention to the programs offered by universities, the course content and requirements for those programs, or the development and performance of students in programs. The issue of measuring communication and analytical skills of graduates relative to their scores on entry to university through standardized testing is usually dismissed out of hand on the rare occasions that it surfaces. Public universities have no real pressure from the market since their continued operation is virtually guaranteed by provincial governments that are, for purely political reasons, loath to see any exiting institution fail. Governments have occasionally carried out “role and capacity” programs resulting in the closure of individual programs and even institutions (for example the reduction of teacher training capacity in Nova Scotia and the elimination of some spaces for training health care specialists including doctors in a number of provinces).

The issue of accountability is not limited to Canada. In the US chatter over accountability is continuous but official accountability is usually restricted to ensuring access to minority and low-income students and other social requirements associated with maintaining eligibility under federal student loan provisions. However, some universities in the US are beginning to use standardized testing (Graduate Record Examination) of entering and graduating students in an attempt to measure changes (improvement) in critical thinking and communication skills. The National Commission on Accountability in Higher Education in the US has recently released its report entitled “Accountability for Better Results – A National Imperative for Higher Education”³ that states flatly that the US K-20 education system is in trouble and steps need to be taken at all levels. It condemns the failure to develop and implement accountability processes that actually help to improve education. The report declares the status quo as being unacceptable and urges a fresh approach to accountability.

The report demands an education system based on defined state needs with clearly defined goals and objectives for each institution in line with public priorities and an effective measure of performance. The report identifies the establishment of clear learning goals for each academic program and for general education with the objectives communicated clearly to students. Assessments showing student development from start to finish must be publicly disseminated.

And by the way, while the universities still profess shock and outrage at the way the public funding of universities has evolved in the past few years, this attitude is totally mysterious to me. The simple fact of the matter is that politicians will always strive to concentrate public dollars where they will produce the greatest political benefit for themselves first, and the greatest public benefit second. Spending on PSE fails both of these tests, with a few exceptions. For example, it is well known that university students may not all be middle class by origin, but they are certainly all middle class by destination. The economic returns to higher education that are captured by the PSE student, almost without exception, exceed those captured by society as a whole, because of the increased lifetime earnings of graduates.

This, by the way, is the reverse of primary and secondary education, where the benefit to society exceeds that captured by the student. Thus the case for heavy public subsidisation of primary and secondary education, and the very weak one for PSE. There is a case for some, but probably less than we do now.

³ <http://www.sheeo.org/account/accountability.pdf>

Moreover, you will be aware that the important increases in tuition fees have not been accompanied by a decline in enrolments or any lessening of the appetite for PSE, nor does the profile of university students back the equity concerns raised by the critics of higher fees. The profile is no worse now and in fact StatsCan says it is better that when university education was considerably cheaper in real terms. That profile is also much better here than in many countries with free tuition. And basically, the appeal to politicians of taxing single-mums and grocery clerks to subsidise the education of the children of billionaires and of people who will almost certainly end up better off than they are is not obvious, to say the least.

This is the context within which we must discuss mobility in all its dimensions in Canada. Thanks to a host of technological changes, as well as the rising cost of university education paid by the student (or his or her family) within Canada, a range of options is now available to Canadian students. Simultaneously, a range of options is being increasingly opened for international students to come to Canada and elsewhere. But whether your institutions will benefit from the invisible hand or the invisible boot of the emerging market in PSE is an open question. The fact is, some of you will thrive, and some of you will not.

Let's talk a little about the scale of the opportunity:

As noted in a recent *World Education News and Reviews* article⁴:

- the tertiary student population in Asia is expected to grow from 17 million today to 87 million in 2025;
- in Malaysia, the government is equipped to educate a mere 6% of its population through public universities;
- China currently educates only around 4% of its population and has recently decided to allow foreign providers to offer joint degrees with local universities; and
- Thailand would have to open a university of 20,000 every year in order to keep up with its growing demand for higher education.

As The Economist notes:

Numbers studying abroad were statistically negligible only two decades ago.... Now growth is soaring: 2m university students--approaching 2% of the world's total of 100m...were studying outside their home country in 2003. Since the late 1990s the higher-education market has been growing by 7% a year. Annual fee income alone is now an estimated \$30 billion. Private, profit-seeking institutions are still a minority, *but almost all universities are beginning to compete for talent and money. That is breeding independence of government, both financially and psychologically; inexorably, the state's role is shrinking* (emphasis added).⁵

Basically, Canadian students don't have to accept underperforming institutions in this country, any more than students in other countries have to accept it in theirs. Not only are they able to escape the dead hand of oligopolies controlling the university world in their own interest rather

⁴ <http://www.wes.org/ewenr/02Sept/Feature.htm>

⁵ February 24th, 2005, *The Economist*, "Higher Education: Free degrees to fly"

than in the interest of the students, but increasingly they will not even have to leave their own country to do so. They will be able to have access to some of the best PSE in the world simply through a computer and the internet.

And remember, those of you who believe that government regulatory barriers will save you from nasty competition from foreign universities and other institutions, that there is no plausible way for the government to prevent it. Yes, it may be able to throw up barriers to bricks and mortar institutions setting up on the national or provincial territory, but there is no way in the world for it to regulate a private transaction in which students pay an institution that exists in another country and delivers its education via the internet, in exchange for which the institution grants a degree which may carry the income enhancing brand of a major international school. Nor can you stop the emergence of private tutoring services designed to help local students meet international standards.

Those snobs in the university world who sniff at this prospect and who do not believe that quality education can be delivered over the internet, or outside traditional classrooms remind me of those in the early part of the 20th century who were convinced that the telephone was merely a toy because no one would ever do business over the telephone – people needed to look each other in the eye.

Not only will the rising generation be much more comfortable than you or I in e-learning, but they will be much less moved by the misty-eyed romantic nostalgia so many older people attach to their undergraduate beer parties and mate-hunting rituals. Not only will the constant possibility of defection from local brick-and-mortar institutions be an ever-present threat in terms of losses of the top students after whom every university hankers, but electronic means of delivery makes it possible for star teachers to reach much larger audiences, thus increasing both their income and their prestige.

Remember there was a time when people believed that no one would be interested in listening to recorded music because an indispensable part of the experience was being in the room with the musicians and people spouted a lot of romantic nonsense about the mystical connection formed between live musicians and their audience. Recorded music in fact allowed vast audiences to hear the very best musicians in the world cheaply and at a time that was convenient for them, and in so doing put out of business many second rate musicians while making millionaires of the Barenboims and Heifitzs and Springsteens of the world. If you think the university world is immune to this, you must also still be waiting for the blacksmithing market to pick up and you are still stubbornly holding on to your shares in the manufacturers of slide rules.

I would add that the growth of mobility and, as *The Economist* notes, the inescapable competition for both students and faculty that accompany it, can only lead to greater accountability for results. I cite, in this regard, the case of New Zealand⁶:

Like Canada, New Zealand brings much to the international mobility marketplace: the English language, a beautiful country, safety and security and a competitively priced service. In 2002,

⁶ Information regarding the New Zealand example supplied in a personal communication from Canadian Norman Larocque, an education analyst working for the New Zealand Business Roundtable, Wellington, New Zealand.

some 80,000 foreign students studied in New Zealand – up from 52,000 the previous year and fewer than 1,000 in 1990. Between 1990 and 1999, New Zealand was the third fastest growing destination for foreign students – behind only the United Kingdom and Australia

In 2002, New Zealand earnings from education exports totaled around \$900 million – up from \$600 million in 2001 and \$400 million in 1997. By 1999, the education sector was New Zealand's 4th largest service export earner and the 15th largest foreign exchange earner overall.

And yet foreign student numbers declined by as much as 40 percent over 2003 and 2004, as a result of a complex range of factors, including overseas competition, quality problems, and Chinese government views on New Zealand education, among others.

So we can now look at the major features of the mobility that matters:

- 1) Canadian students are no longer prisoners of just whatever the traditional university establishment wishes to supply them, and the alternatives become ever more attractive as the real cost of university education rises. The top students who are indispensable to successful institutions are the most vulnerable to the siren song of mobility and they are the ones for whom it will pay off the most handsomely;
- 2) Foreign students are a huge and growing market, but one that will be highly demanding and expect accountability for results;
- 3) Faculty are now more vigorously sought and recruited, in just the same way that students are, and the new methods of teaching will be the ones that will pay the greatest incomes to the top teachers, who will then draw the top students in a mutually reinforcing pattern; successful universities will therefore not be bound by rigid union contracts on pay and conditions;
- 4) Whatever their rhetoric, politicians will be under increasing pressure to rein in, or at the very least, reshape the support that they give to PSE institutions for education (research may be another matter but that is not the focus of my talk today). And the more they try to force domestic institutions to pursue other values than educational excellence, the more they will worsen the phenomenon of students voting with their feet and defecting to alternative institutions, either by electronic means, or old-fashioned travel;
- 5) If you are successful in attracting more foreign students, the political case for subsidising you to the same extent is further undermined. It is already hard enough to make the case for subsidising out-of-province students; out-of-country students, especially when they often represent the elites of their country of origin, is a real political loser. Recently, according to *The Economist*⁷, Oxford unveiled plans to cut the number of loss-making undergraduate places for home students (where the government sets the price), and increase the number of graduate and foreign students (where the fees are deregulated). Other British universities will follow soon.

Naturally this growing international market in PSE, a market largely beyond the control of governments, however much they may dislike it and however much faculty unions and university associations may rail against them, generates many challenges. One commonly cited example is

⁷ Loc.cit.

quality control. The emergence of a largely unregulated international PSE market does create the possibility of fly-by-night operators and low-quality degree mills.

But markets also always develop their own quality control mechanisms. International accreditation bodies will emerge; perhaps based on international organisations like UNESCO, but only if they do the bidding of the international market, and not of the national governments that make it up. The ISO is just one example of how international accreditation standards of a very demanding kind can and will be generated by the market.

Even among national governments, as UNESCO⁸ itself reports, there is far from unanimity that this loss of national control over PSE is a bad thing – according to both the OECD and UNESCO, many third world countries see it as an opportunity either to attract students to their own previously closed systems, or as a way to expand access to PSE without having to make massive investments in their own facilities.

Another quality control mechanism will be the emergence of more and more private financing schemes for PSE. People who are being asked to lend their money to invest in human capital are going to want solid evidence that a genuine investment is occurring. As those of you who have read e.g. Cornuelle's *Reclaiming the American Dream* will know, privately-financed low-cost schemes to pay for PSE are not just theoretical, but have existed in the past – until governments, hating competition, put them out of business because they could do so within largely closed national education systems chiefly dependent on public financing. That is no longer the world that we inhabit.

A different strategy that markets always throw up is what might loosely be called franchising. You know, intellectual snobs are always decrying the emergence of chains and franchises, McDonalds in Moscow and Tokyo, Holiday Inns in Beijing and Dar es Salaam, The Gap in Paris and New York. But they fail to understand the value of franchises to the consumer. That value is precisely what intellectuals decry about them: their uniformity. Franchises are a knowledge-economising device for consumers. In a market where they have relatively little information and few ways to inform themselves, franchises and chains offer a beacon of certainty. You know what you're going to get.

So you can be quite certain that one response to the internationalisation of PSE, and the consequent need for consumer information in conditions of great uncertainty is going to be brands and franchises. We already see this emerging in a crude way in the phenomenon of universities setting up foreign campuses – the University of Phoenix in Canada, or the University of Texas in the UK, etc. On a very limited scale these are the first forays into international branding in PSE. You can see advertisements in Canadian newspapers for MBAs offered jointly by the Kellogg and Schulich schools of business, and I seem to recall that you can now study for MBAs offered jointly by three top schools in different European countries. It is no accident that it is the professional schools, frequently self-financing, and even sometimes cash-cows for the rest of the university, are the first to lead this charge. But they are only the advance scouts for a large army that will follow.

⁸ <http://unesdoc.unesco.org/images/0013/001362/136247e.pdf>

When two million students and \$30-billion in fee revenue is on the table, and the growth potential is enormous, and the returns to investment in putting Thai students through engineering courses or Indian students through IT training are going to be handsome, you can be sure that this is only the beginning. Those institutions that understand that all these dimensions of mobility are destroying their old business model are soon going to be moving to the next stage, which will be what we see now in airlines. It used to be that there were national champion airlines, backed by the taxpayers of each country.

No more. Now you have cutthroat competition among global alliances of airlines none of which really have any national allegiances. The world airline shakeout is, BTW, forcing the old, cosseted national dinosaurs out of business, in large part because they treated travellers as units of income, not as customers, they competed on marginal differences in quality, not on price, and they were run chiefly for the convenience of their unionised employees and their owners, rather than for the benefit of their customers. Sound familiar? And those old dinosaurs are all quaking in their boots at the onslaught of the Southwests and the Westjets and the Ryanairs that focus like a laser beam on what their customers actually want.

And by the way, when we talk about quality control, the flexible international PSE market we're now talking about will also generate a different way of decentralising PSE services. No long will the top institutions have actually to teach. They may simply control the quality of the result of teaching done by others. As *The Economist*⁹ notes:

A university can examine far more students than it actually teaches, and with a strong brand it can trade on its reputation for quality by licensing other people to teach its courses. Chicago's Kellogg business school, for example, teaches around half of its students through local partners in places such as Israel and Hong Kong. It controls the curriculum, inspects standards and issues qualifications. But the actual teaching is outsourced and offshored.

In other words, there will be greater functional specialisation as well as the formation of international alliances, separating, for example, teaching and examining.

So, because of mobility, the successful universities of the future will not be those who cling to the maternal skirts of government, because government subsidy and regulation is actually obstructing the shift to a student and customer focussed education, endangering both the ability to keep the country's best students and faculty and our ability to attract lucrative foreign students and income-generating top teachers. To quote Adam Smith one last time:

Whatever forces a certain number of students to any college or university, independent of the merit or reputation of the teachers, tends more or less to diminish the necessity of that merit or reputation.¹⁰

That is exactly why the professional schools, such as U of T's law school and many of the MBA programmes are showing the way, by charging everyone full cost tuition fees and seeking to uncouple themselves from the dead hand of the state and of many university administrations. In

⁹ Loc. Cit.

¹⁰ Op. cit.

so doing, they seek to protect and enhance their reputation, in part by attracting top faculty and hence top students, both of which are essential to being in the top rank.

In conclusion, Canadian universities and students can benefit from the changes I have described. But the challenges for universities in particular will be enormous. I predict fierce battles over unionisation (or, more precisely, the end of unionisation as we have known it), deregulation of tuition fees, new accountability standards and methods, and a growing division and specialisation of labour within the PSE teaching world. Power is shifting – to students and top faculty, and away from politicians and the professoriate collectively.

Our universities benefit from the Canada brand, and a handful from their own recognisable international brand but those advantages will have to be backed by continuous performance – with the immediate loss of customers that a declining reputation will bring in its train, there will be little room for resting on one’s laurels, and the consequences of reputational loss will be felt much more quickly than ever before. The others have a few years yet to break free of the belief that the state has either the will or the ability to maintain the comfortable old dispensation. The best you can hope for, in my view, is a brief transition period, and for governments to continue to fund a limited number of students for reasons of social equity.

The competition is about to get bracing, and it won’t be “nice” Canadians you’ll be in competition with, for students or for faculty. Universities are about to learn what the goods and services markets learned a long time ago about globalisation, namely that the idea of a sheltered home market you can use as a base to launch yourself into the wider world is obsolete. Your home market is now an export market for everybody else in the world.

Thank you.

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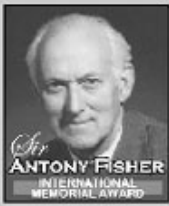
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