

Institutional Breakdown? An Exploratory Taxonomy of Australian University Failure¹

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ABSTRACT *Australian higher education has undergone radical change aimed at transforming universities into commercial enterprises less dependent on public funding. Despite some significant successes, including dramatic increases in the numbers of domestic and international students, decreased Commonwealth subsidies, and more private sector finance, there are ominous indications that institutional failure is endemic, especially financial accountability. Drawing on various theories of institutional failure, this paper attempts to examine the causes of the current crisis. A fourfold taxonomy of Australian university failure is developed that identifies governance failure, accountability failure, quality failure, and information failure as the primary sources of tertiary education institutional breakdown.*

Keywords: institutional failure; New Public Management; reform; university policy.

1. Introduction

Beginning with the so-called 'Dawkins reforms' in 1987, successive Australian governments have embarked on an ongoing programme of the radical reform of Australian higher education. This programme has abolished the former binary divide between universities and other higher education institutions and sought to deregulate tertiary education and make it much more financially self-sufficient.² At least on the surface, proponents of reform can lay claim to some notable successes. For instance, dependence on Commonwealth government finance has fallen considerably, the private sector injects significant funds into universities, substantial international student income has made the tertiary education sector a major 'export' industry, and hundreds of thousands of additional Australian students now participate in higher education. The emergence of the 'corporate' university in Australia has thus achieved much.

However, these successes mask severe underlying problems that have proved to be far more than mere transitory phenomena associated with the inevitable pains of fundamental change. An ongoing and intensifying stream of incidents at individual

institutions, that usually involve financial ineptitude,³ all attest to a deepening crisis in Australian higher education. In essence, it would appear that the forced marriage between universities as highly traditional and inflexible public service agencies and an increasingly fluid and deregulated commercial environment will only endure at significant cost in terms of foregone teaching quality, massive resource misallocation, and a loss of established scholarship. The term 'university failure' is surely an apt description for the current state of contemporary Australian institutions of higher learning and forms the subject of this paper.

The paper adopts the concept of institutional failure as its central explanatory vehicle. In particular, it employs the market failure paradigm,⁴ the theory of government failure,⁵ and Salamon's⁶ model of voluntary sector failure as its chief analytical building blocks. Using these conceptual foundations, the paper seeks to develop an exploratory taxonomic explanation for the present observed failures of Australian universities. In this context, university failure may be defined as those actions of universities which result in a cost being incurred by either society or stakeholders which is in excess of any derived benefit, regardless of whether such benefit is measurable in monetary terms or not.

The paper itself is divided into four main sections. Section 2 provides a synoptic description of the relevant economic literature on institutional failure. Section 3 seeks to develop a fourfold explanatory taxonomy of Australian university failure, with supporting empirical evidence canvassed in Section 4. The paper ends with some brief concluding comments in Section 5.

2. Economic Theories of Institutional Failure

In economic theory, conventional methodology seeks to define an optimal outcome and then examine the extent to which real-world institutions diverge from this socially optimal position. This not only allows economists to gauge the social efficiency of actual institutions, but also to design policies intended to improve both efficiency and equity by altering institutional behaviour. In principle, this approach can be used in the analysis of any social institution, but in practice economic theory has traditionally focussed on market failure, and more recently government failure, with a nascent literature on voluntary organisation failure. Given the complex characteristics of modern Australian universities, all of these analytical paradigms can shed light on the problem of institutional failure and will be invoked in this paper.

The theory of market failure examines private profit-maximising firms and defines social optimality where marginal social benefits equal marginal social costs. The literature has spawned a typology of the sources of market failure that result in sub-optimal outcomes, including non-competitive markets, asymmetric information between buyers and sellers, non-priced public goods, positive and negative externalities, incomplete markets and business cycles.⁷ Since Australian universities are obliged to compete for students, research funds, and other resources in competitive domestic and international markets, their behaviour is amenable to analysis using this taxonomic system.

Much the same logic justifies the use of the government failure paradigm in explaining university failure. Government failure refers to the inability of public agencies to achieve their intended aims insofar as they do not generate marginal social benefits equal to marginal social costs. Various typologies of the causes of government failure have been constructed, but for our present purpose the theory of non-market failure advanced by Wolf⁸ is the most useful.

Wolf⁹ constructed a fourfold taxonomy of government failure. 'Internalities and private goals' refer to the standards that public agencies develop in lieu of direct market signals. Since these standards determine the behaviour of people in bureaux, and may not be fully aligned with actual market indicators, they can cause the actual conduct of the agency to deviate from its intended conduct. Specific examples include common internalities that budget growth ('more is better') and technological advance ('new and complex is better') are always desirable. 'Redundant and rising costs' occur where revenues derive from sources other than the sale of output, as in the case of universities, and thus costs are seldom considered relative to prices. Thirdly, 'derived externalities' involve the costly inadvertent and unforeseen effects of the behaviour of one agency on the activities of some other public bureau. Finally, 'distributional inequity' can result since in the same way markets may cause distributional inequity in terms of income and wealth, non-market distributional inequities may manifest themselves in terms of differentials in power and privilege. Because Australian universities operate in government defined quasi-markets,¹⁰ they are thus 'non-market institutions' in the Wolfian sense and can be examined using his taxonomy of non-market failure.

The third analytical model of institutional failure that can assist in explaining the conduct of contemporary Australian higher education is the typology of voluntary sector behaviour developed by Salamon¹¹ since the key criterion defining non-profit organisations (that is shared by universities) is the 'non-distributive constraint' preventing the distribution of any surplus to stakeholders. Voluntary sector failure may be defined as the inability of non-profit organisations to produce allocatively efficient outcomes such that marginal social cost is equated with marginal social benefit.

Salamon¹² developed a fourfold taxonomy of voluntary failure. In the first place, 'philanthropic insufficiency' refers to the inability of non-profits to overcome the free-rider problem to the extent that insufficient resources are reliably available to satisfy the requirements of the organisation. 'Philanthropic particularism' is the tendency for voluntary organisations to confine their assistance to particular sub-groups within society to the exclusion of other groups. 'Philanthropic paternalism' suggests that non-profit allocation decisions on community needs are made by their boards according to elitist ideals rather than actual community needs. Finally, 'philanthropic amateurism' arises because voluntary organisations are typically run by unqualified amateurs and not professional managers with the requisite expertise.

3. Preliminary Taxonomy of Australian University Failure

The taxonomies of institutional failure derived from the market failure paradigm, the theory of government failure, and Salamon's¹³ model of voluntary sector failure each shed light only on particular aspects of modern Australian university conduct since these organisations are 'cross-sector institutions'. Put differently, as a result of the changing structure and role of universities in Australia, they are now susceptible to failure as a consequence of their hybrid nature. In support of this claim, and drawing upon the literature on institutional failure, we have developed a preliminary fourfold taxonomy of Australian university failure. This generic typology consists of 'governance failure', 'quality failure', 'accountability failure', and 'information failure'.

Governance Failure

Each Australian university, through its Council or Senate, has a high degree of autonomy in its own management and governance, with responsibilities including the ability to 'invest, divest and borrow as are seen fit by their governing bodies',¹⁴ Moreover, the assets of a university belong to the university itself and thus may be disposed of as the governing body sees fit.¹⁵

Each university is a legislative creature of its own enabling state Act. The Council or Senate is the governing body of the university and has the functions conferred under this Act. The role of Vice-Chancellors is referred to in the Act as the 'principal executive officer' or 'chief executive officer' with powers set down in the Act. For instance, in the case of the University of Queensland, the Vice-Chancellor 'may exercise powers and perform the functions conferred upon the Vice-Chancellor by this or another Act of the Senate'.¹⁶

Extending from the Vice-Chancellor down a hierarchical reporting line are the respective Faculties, each headed by its own executive Dean, and Schools within the Faculties, each possessing a Head of School, as well as the various administrative and service divisions.

The advent of reform-induced corporatism has meant that Vice-Chancellors have become more like corporate executives. Other parts of the university have also changed. Clarke¹⁷ has argued that academic departments are now run by 'middle managers', often academics with either weak research and/or teaching records. He contends that this 'new administrator class' has 'at times acted despotically without regard to logic or fairness'.¹⁸ Clarke pointed to the lack of managerial skills possessed by these new managers, often compensated for by authoritarian behaviour, with relevant information sometimes withheld or restricted. Whereas private industry has, over time, placed value on increased workplace autonomy and recognised the need for specific managerial training, Clarke¹⁹ argued that 'Vice-Chancellors and their dumbed-down university administrators have not'.

Various conceptual analogies can be drawn from the earlier literature review. In the first instance, the absence of requirements for managerial qualifications in management positions highlights the relevance of Salamon's²⁰ 'philanthropic amateurism'. This can affect the efficiency of universities since, even with the best of intentions, there exists the distinct possibility that an 'amateur' approach may be the only course of action that incompetent managers in universities are capable of taking in their approach to management and decision-making. Secondly, Clarke's²¹ arguments concerning the authoritarian nature of some university managers allude to Wolf's²² taxonomic category of 'distributional inequity' in the non-market settings with distributional inequity resulting from the asymmetric distribution power and prestige between individuals. Inequity leaves staff and students dissatisfied and may even cause the exodus of respected academics for no other reason than a refusal to play a machiavellian 'political game'.

Procedural methods used in the governance of universities place considerable emphasis on decision-making by means of committees. When these committees consider matters of an 'academic' nature, the precepts of collegiality are appropriate. However, in the post-Dawkins commercialised environment of higher education there appears to be scant regard for collegial decision-making processes, despite historical precedent. Nonetheless, universities continue to make many decisions through committees where no individual responsibility exists. Executives use committees to 'rubber stamp' their decisions so that, if things go wrong, they are

not held personally responsible. In stark contrast to the private sector, university managers are thus in the envious position of being able to exercise power without being accountable for the consequences of their decisions.

Accountability Failure

The major source of funding to universities is still the Commonwealth government²³ indicating that universities remain institutions producing predominantly in the non-market sector.²⁴ We have also seen that the governing bodies of universities have high degrees of autonomy in terms of asset management and that they are expected to operate as a corporate enterprise, yet as an organisation which has no disbursement of profits to stakeholders,²⁵ in common with voluntary organisations. We commence the discussion of accountability failure with a brief examination of key university statistics as shown in Table 1.

Table 1 indicates that Australian universities are multi-million dollar institutions of which the greater majority of their income is publicly funded. They provide employment for large numbers of people, and teach around 700,000 domestic and international students. However, with very small operating margins (an average of 3.4% in 2000) the higher education sector would not be viable in commercial terms, since private sector corporations would consider these margins far too slim for long-term survival.

The extent of public funding to universities has resulted in DEST placing requirements on universities to be 'publicly accountable' to their stakeholders, and to be 'transparent and open to public scrutiny'.²⁶ However, the reporting line of universities to DEST is at best perplexing. As we have seen, universities are legislated through enabling Acts by the various Australian states whereas most funding (including HECS contributions) is provided by the federal government.²⁷ Each area of government places their own reporting requirements on universities for their respective accountability frameworks²⁸ that are summarised in Table 2.

Data reported to the federal government provides the profile of each university which then forms the basis for funding.²⁹ DEST³⁰ has observed that 'very little of this material, other than the student load data, actually affects the level of funding

Table 1. Australian university selected statistics summary—2000

Item	Total result	Range
Revenue	\$9,277 million	\$13.23M–\$674.39M
Assets	\$22,586 million	\$36.56M–\$2,556.16M
Operating result	\$322 million	–\$16M–\$41.91M
Equity	\$19,733 million	\$15.56M–\$2,372.59M
Cash and investments	\$4,375 million	\$0.72M–\$753.57M
Debt	\$425 million	\$0–\$63M
Capital expenditure	\$1,043 million	\$0.19M–\$122.39M
Dependence upon government	64.7%	28.7%–85.1%
Operating margin	3.4%	–5.6%–11.8%
Total students (on shore)	667,399	274–38,444
Total students (off shore)	24,068	0–4,583
Total staff (full time and fractional)	75,569	105–5,218

Source: Compiled from Department of Education, Science and Training [DEST], *Higher Education Review Process*, 2002e, Appendix d, available at <http://www.backingaustraliasfuture.gov.au/review.htm>.

Table 2. University reporting requirements

Reporting requirement	Responsible to
Audited financial statements	State
Strategic planning	State/Federal
Commercial operations	State
Research/research training	Federal
Student load data	Federal
Capital asset management plan	Federal
Equity plan	Federal
Indigenous education strategy	Federal
Quality assurance and improvement plan	Federal

Source: Compiled from Department of Education, Science and Training [DEST], *Higher Education at the Crossroads: An Overview Paper*, DEST, Canberra, 2002c, pp. 6–8.

provided to universities. Most of the required reports and plans are published for “public accountability” purposes’. They further state that ‘the extent to which the Commonwealth Government can reduce its reporting requirements is to some extent influenced by the confidence it has in the governance of universities’.³¹

This appears contradictory. Firstly, we are told that much of the reporting to the federal government is for ‘public accountability purposes’, and then secondly, it is implied that the present extent of reporting is correlated to the Commonwealth government’s confidence in university governance. Penington³² has observed that since accountability requirements in reporting have become linked to funding, accountability has been steadily replaced by control. We find further contradictions: student load data are linked to funding (since universities are allocated a certain number of funded places), but simultaneously universities are supposed to operate with high degrees of autonomy.

It has been argued that it is the governance of universities that is responsible for the financial accountability of universities to both the state and to the community. It is therefore reasonable to presume that governing bodies represent the interests of all stakeholders, including government, the academy, students and the broader community. This view seems to concur with that of DEST, which includes the following sentiments in their recommendation of ‘primary responsibilities’ of university councils:³³ ‘to define policy and procedures consistent with legal requirements and community expectations. To establish and monitor systems of control and accountability including monitoring controlled entities. To review and monitor both the management of the university and its performance as an institution’.

This insistence upon accountability and transparency is highly indicative of the New Public Management (NPM) paradigm that has been adopted across the entire Australian public sector. NPM allows for the divergence from traditional public agency management to a more autonomous, professional and ‘hands-on’ style of management using performance standards. Superficially at least, universities appear to be meeting the basic principles of NPM, inclusive of specifying outputs, strategies and budgets, checked by external auditors.³⁴

We have already argued that universities not only operate in the non-market as suppliers of quasi-public goods, but also possess some of the characteristics of non-profit organisations. Wolf’s³⁵ taxonomy of non-market failure enables us to specify university failure in accountability through the procedures and policies (or in Wolfian terminology, the internalities and private goals) that are established by

university councils and reported annually to the Commonwealth. The primary impact of these reporting procedures on universities are reflected in significant cost increases due to the resources absorbed in supplying such information deemed necessary for accountability.³⁶

The process of accountability is thus deemed an important contributing factor to university failure. There are reporting requirements imposed upon universities (and their Councils as the governing body) for the purposes of accountability. However, tensions within the Councils themselves and attendant poor decision-making will contribute to the lack of trust displayed in them by the Commonwealth, leading to greater reporting requirements. Failure may arise through the creation of such goals used in the process of measurement, the desire to see larger budgets, as well as the possible misallocation of resources through the preferences of Councils and Council members.

Earlier we discussed the relevance of NPM to universities, noting its requirements for accountability as if the institution were operating in the private sector, along with Hood's³⁷ comments on the potential for it to be 'self serving' for those in managerial positions. We further underline this aspect of accountability failure by highlighting that neither the Council nor the Vice-Chancellor are held publicly accountable for risky investments or through the misallocation of resources in the purchase or development of capital infrastructure. Indeed, as pertains to these bodies, capital could be considered 'zero-cost' with no public redress made available to stakeholders as there is for shareholders in publicly listed corporations. Whereas chief executives of such corporations face the possibility of votes of no-confidence and accordingly would consider such matters in their decision-making processes, neither the Vice-Chancellor, nor the Council are faced with this opportunity cost of dismissal if they make 'wrong' or 'misguided' decisions.

Quality Failure

Quality and quality assurance as they relate to higher education have gained greater prominence at both an institutional level as well as from a governmental level since the early 1990s.³⁸ Moreover, the quasi-corporatisation of the higher education sector has raised concerns that quality may be sacrificed in lieu of revenue maximisation. The Australian University Quality Agency (AUQA) has defined both quality and quality assurance. Universities must submit a Quality Assurance and Improvement Plan as part of their annual profile,³⁹ which in turn is linked to their funding arrangements.⁴⁰ These plans must include the 'goals and strategies to maintain and improve quality assurance in the key areas of teaching and learning, research, management and community service as they focus on outcomes'.⁴¹ The AUQA is responsible for external audits on institutions as a whole,⁴² the relative standards of education, and the impact of state/territory accreditation processes on programme quality.⁴³

Penalties imposed by the Commonwealth for being 'under-enrolled' will often result in universities 'over-enrolling students'.⁴⁴ Entry standards will thus vary from year to year as a consequence of this enrolment policy based on revenue maximisation/penalty minimisation and subsequently will affect the quality of graduating students. Universities having to compete for students (to maximise enrolments and revenues) increasingly have had to offer a greater range of courses that are attractive to a wider range of potential students.⁴⁵ Consequently, a broad-based education comprising more traditional and challenging subjects

has been replaced by one that is 'job specific' through more descriptive and less challenging units.⁴⁶ Clarke⁴⁷ describes reduction in the analytical level of courses as 'dumbing down'. Whilst this may appear to satisfy the expectations of many students, Clarke questions the long-term societal effects of core academic disciplines being replaced with 'soft options'. Moreover, the academy now finds itself teaching these 'dumbed down' courses, which, despite being related generically to their field, are not usually their chosen area of specialisation.⁴⁸

The quality of teaching may also be determined by factors like student/teacher ratios. An increase in this ratio will result in less available teacher/student contact, increasing class sizes, and less preparation time for academics.⁴⁹ Figure 1 shows comparative student/teacher ratios over the period 1994–2002.

Meek and Wood⁵⁰ describe quality improvements as requiring a trade-off in resources between options. They argue that an improvement in teaching quality (and its associated increase in the use of faculty time, delivery systems, administrative support, and finances) may lessen the quality of research. So too, a trade-off will occur between improving outputs to external recipients, and providing outputs to internal recipients—we note here, that insofar as academics are recipients of administrative output, they are also the providers of output to the administration. An obvious example in this situation is that an increase in administrative system requirements placed upon academics for 'quality assurance' purposes, may well result in less preparation time, less research time, and ironically overall decreased quality in teaching.

Quality contributes to university failure in various ways. Firstly, failure may arise through the competitive environment in which universities operate, leading to dissatisfied academics being forced to teach subjects which are outside their specialised expertise, again reducing overall quality of teaching output. In both administrative and managerial terms, the imposition of onerous new procedural systems may detract from the core business of teaching and research. Secondly, failures

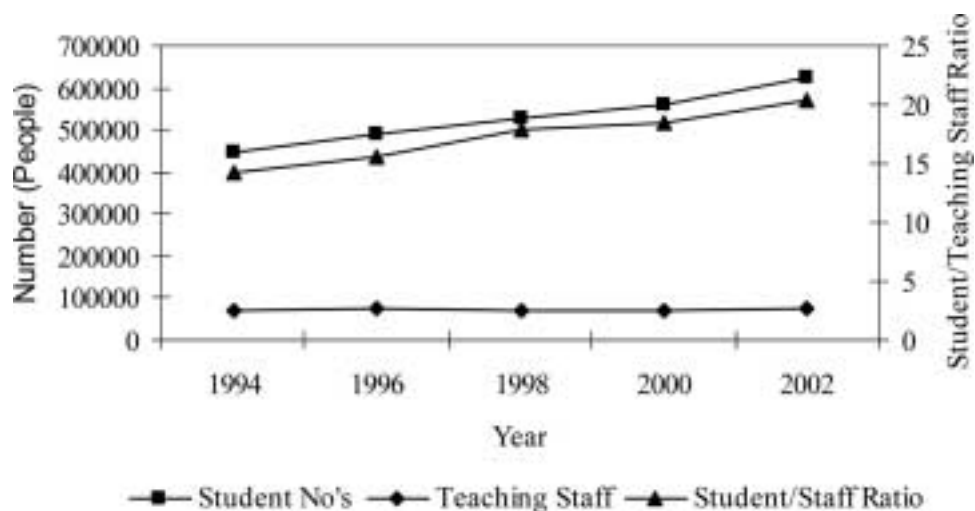


Figure 1. Student/teacher ratio.

Source: Compiled from Department of Education, Science and Training [DEST], *Selected Higher Education Statistics*, 2004, available at <http://www.dest.gov.au/highered/statpubs.htm>.

may arise in the services that are provided by the administration to academics, such as ill-conceived centralised timetabling that often results in academics teaching for continuous long periods rather than traditional single teaching hours spread throughout the week.

Information Failure

The final category in our taxonomy of Australian university failure hinges on the problem of information failure. This argument derives from the market failure paradigm where an important source of market failure is asymmetric information. In this context, information concerning the nature of the good or service being transacted is unevenly distributed between buyers and sellers. If either party is significantly better informed, sub-optimal outcomes will result.⁵¹

Education exhibits the characteristics of a public good produced in the non-market with positive societal externalities through its transference of knowledge.⁵² However, a university education is a positional good, limited in quantity and allocated through an excludable competitive entry system, thus giving it attributes of a private good produced in the market. For the purposes of our taxonomy, it is assumed that a university education is a quasi-good; a private good available in a competitive market, which contains characteristics of a public good through the non-rival, non-exclusive societal benefits of its positive externalities.⁵³

From a student perspective, a university education is expected to lead to employment following graduation. For a student to make an informed choice of both degree and subject selection, clear and precise information must be available. Australian universities do provide subject and degree selection guides. Nonetheless, students still enrol in the 'wrong' subject or in the 'wrong' degree programme, and must thus choose between either continuing with the 'wrong' programme or correct the situation by changing subjects and/or degree programmes. Even presuming that the student does enrol in the 'correct' degree programme, there is a vast array of electives that can often be confusing. It is reasonable to presume that the university/faculty/school possesses full knowledge of the programme/subject. However, since students are typically much less informed, this information is asymmetrically distributed. Consequently, from a competitive market viewpoint, students cannot be deemed to be fully informed 'customers' of the university due to their lack of knowledge.⁵⁴ It can be argued that the 'market' for higher education has failed, since students as 'buyers' lack the knowledge required for informed rational decision-making.

Information failure in the higher education market extends further into the employment market since employers lack information regarding the qualifications of job applicants. Attractive 'marketable' names given to subjects appearing on official transcripts with the purpose of attracting more students often offer little real information to a prospective employer regarding subject matter, thus depriving the employer of the necessary information required to make a rational decision when faced by many different job applicants. In addition, there is no commonality between 'like products' offered by universities; a degree from one university is likely to contain different course prerequisites from the 'same' degree of another university. Faced with two or more 'like' degrees, such as Bachelor degrees in Business, Commerce, or Economics with economics majors, employers have little substantive information to make rational decisions based upon qualification suitability.

4. Empirical Evidence

By its very nature, systematic evidence of Australian university failure is difficult to determine, especially given the powerful incentives for the institutions involved to avoid disclosing the relevant information. Nevertheless, Australian newspapers abound with reports of university failure too numerous to discuss here. Accordingly, for the sake of brevity an illustrative selection of these instances of purported failure is provided in Table 3.

Six examples of 'governance failure' are cited in Table 3. For instance, in a clandestine operation (somewhat reminiscent of Monty Python) UWS buried 10,000 books that were a part of a 40,000-book bequest from Sydney University. These books, subsequently discovered by students, were buried on a site that had been designated for a car-park.⁵⁵ RMIT, Adelaide, UNE, and Deakin all found

Table 3. Examples of Australian university failure

Identified failure	Summary
Governance failure	UWS (1995)—Burying 10,000 books UNSW (2003)—Structural problems RMIT (2003)—Financial problems Adelaide (2003)—Financial problems UNE (2003)—Financial problems Deakin (2004)—Financial problems
Accountability failure	All universities (2004)—Financial results would be unacceptable to shareholders of public companies VU (2004)—Fraud in excess of \$10 million RMIT (2004)—\$50 million on software, up to \$50 million to correct Monash (2004)—\$21 million loss on Johannesburg campus UNSW (2003)—Professor Hall's academic fraud inquiries CQU (2004)—Budget deficit of \$6.5 million in 2003 USQ (2004)—\$5million loss following writedowns
Quality failure	All universities (2004)—Class sizes leading to diagnosed depression in students Macquarie (2004)—'Damning' report of AUQA audit UQ (2004)—AMA believes that revamped School of Medicine will lower the quality of new doctors in Queensland UNE (2004)—AUQA finds law library inadequate
Information failure	All universities (2004)—Law schools are failing to teach students professional skills UQ (2004)—AMA believes that insufficient doctors will be supplied to Queensland to meet requirements CQU (2004)—Student graduates without completing requirements

Sources: D. Cooper, 'Council knives out for Hume', *The Australian*, 7 April 2004; J. Elson-Green, 'AUQA blasts Macquarie', *Campus Review*, 6–12 August 2003; G. Healy, 'CQU's budget deficit under review', *Campus Review*, 24–30 March 2004a; G. Healy, 'UQ stoush with AMA hots up', *Campus Review*, 7–13 April 2004b; D. Illing, 'Student pass decision blasted by former Dean', *The Australian*, 2 June 2004; B. O'Keefe, 'An argument for demarcation', *The Australian*, 14 April 2004a; B. O'Keefe, 'Law schools out of touch', *The Australian*, 19 May 2004b; B. O'Keefe, 'Law book shortage hits UNE libraries', *The Australian*, 2 June 2004c; B. O'Keefe, '\$5m loss in dotcom aftershock', *The Australian*, 16 June 2004d; G. Maslen, 'RMIT not alone as four unis put hands up for funds', *Campus Review*, 5–11 March 2003a; G. Maslen, 'Monash and RMIT post poor results', *Campus Review*, 7–13 May 2003b; G. Maslen, 'RMIT University to start again ... with PeopleSoft', *Campus Review*, 1–7 October 2003c; G. Maslen, 'Fraud investigated at Victoria University', *Campus Review*, 21–27 January 2004; L. Perry, 'The pressures of being a fresher', *The Australian*, 14 April 2004; L. Perry and M. Bachelard, 'South African campus financial loss adds to pressure on Monash', *The Australian*, 31 March 2004; S. Powell, 'How a novel idea was laid to rest at UWS', *The Australian*, 15 November 1995.

themselves in such 'dire circumstances' in 2003 that they each sought emergency funding from the Commonwealth, with some of these institutions having already received additional advances in 2002.⁵⁶

Accountability failure includes some spectacular examples of gross ineptitude. For instance, a report tabled in Victorian parliament in 2003⁵⁷ noted that 'the financial results for some Australian universities would cause alarm and consternation among shareholders if they were public companies'! Victoria University is presently under investigation following \$10 million of fraudulent activity. RMIT has spent \$50 million on management software that two years post installation continued to fail and was subsequently 'written off', and the final estimated expenditure could reach \$100 million.⁵⁸ Monash has lost in excess of \$21 million in three years on its South African campus.⁵⁹ CQU has recorded a budget deficit of \$6.5 million in 2003 with expectations of a further 'blow out' in 2004.⁶⁰ USQ reported a loss of \$4.622 million for 2003 of which \$4.098 million occurred following a 'brush' with the Internet organisation Indelta, which is claimed to have resulted from a write down of book values rather than actual cash losses.⁶¹ Moreover, USQ's exposure to Indelta has worsened their level of bad debt to \$984,000, with USQ's finance manager advising that there is little chance of recovery.⁶² UNSW found Professor Hall guilty of academic misconduct whilst clearing him of scientific misconduct in a recommendation that ran contrary to the findings of an external review panel.⁶³

Quality failure is also well documented. For instance, Macquarie received a 'damning' report by AUQA of the university's policy and document management systems.⁶⁴ All universities seem to have excessive class sizes (especially in first-year subjects) thereby increasing 'stress' on students that has resulted in diagnosed depression and suicidal tendencies.⁶⁵ The Australian Medical Association (AMA) is calling for an investigation into UQ's graduate medical school claiming that senior doctors are concerned about the quality and quantity of graduates from the new graduate School of Medicine following a revamping of the learning approach adopted by the school.⁶⁶ The AUQA has publicly reported that UNE's law library is inadequately equipped and funded for the provision of library services to students.⁶⁷

Three examples of information failure are included in Table 3. For instance, the Australian Law Reform Commission claims that the extent to which universities educate law students through repetitive case detail provides insufficient training in areas such as professional ethics, dispute resolution, negotiations, teamwork, and client skills. It also called for a reduction in offered electives at undergraduate level and more specialisation at postgraduate level.⁶⁸ The AMA argued that Queensland faces a shortage of doctors as a result of changes within UQ's School of Medicine.⁶⁹ CQU has allowed an international student to graduate despite not having completed the requisite degree requirements, thus not meeting minimum standards for the degree as a result of protocol not being followed in the granting of exemptions.⁷⁰

5. Concluding Comments

Like all complex organisations, universities are difficult to conceptualise with any degree of precision. For example, Weick⁷¹ has observed that scholars often argue that 'an organization does what it does because of plans, intentional selection of means that get the organization to agree upon goals, and all this is accomplished by such rationalized procedures as cost-benefit analyses, division of labour, specified

areas of discretion, authority vested in the office, job descriptions, and a consistent evaluation and reward system'. However, this view of complex organisations almost never coincides with observed real-world experience. Instead 'people in organizations, including educational organizations, find themselves hard pressed either to find actual instances of those rational practices or to find rationalized practices whose outcomes have been as beneficial as predicted, or to feel that those rational occasions explain much of what goes on within the organization'.⁷² One explanation for this phenomenon can be found in the notion of 'loose coupling'.⁷³ Different elements of a common organisation are 'loosely coupled' to each other carrying connotations of 'impermanence, dissolvability, and tacitness all of which are potentially crucial properties of the "glue" that holds organizations together'.⁷⁴

The taxonomic system of Australian university failure developed in this paper is by no means definitive and represents a first tentative step towards the systematic identification of discrete categories of higher education failure. Some parts of the typology are clearly more robust than others. Moreover, some elements of the taxonomy seem to shade into each other, apparently echoing the 'loosely coupled' character of Australian universities. Accordingly, while governance failure and accountability failure seem to capture readily observable aspects of the problem, quality failure and information failure appear to overlap to a degree. Nor can the anecdotal empirical evidence presented in the paper be more than simply indicative of endemic institutional failure. Nevertheless, given the invaluable guidance that the market failure paradigm and the theory of government failure have already provided to public policy makers, there is surely at least some reason to presume that in future a more fully developed taxonomic model of university failure could assist in improved policy formulation in Australian higher education.

Notes and References

1. The authors would like to thank an anonymous referee for helpful comments on an earlier draft of the paper.
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