

## **Coopetition: Strategic Partnership Model**

*“Coopetition versus Competition in the Era of Demand-Driven Higher Education”*

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## Introduction

Back in 2009, when our current Prime Minister was Minister responsible for higher education, the Commonwealth Government marked the beginning of its ‘higher education reform agenda’ under her sponsorship with the release of the monograph, ‘Transforming Australia’s Higher Education System’. The reform agenda reaches its denouement next year with the uncapping of student places but there is more to the policy framework than this initiative as the following table shows.

Objective	Strategy
Participation	Demand-driven allocation of student places  Higher Education Participation and Partnership Scheme
Diversity	Mission-Based Compacts
Quality	Performance funding  Tertiary Education Quality & Standards Agency

The Table indicates that the government is seeking to:

1. **Promote participation**, particularly among low SES populations and their primary vehicles for achieving this are: (a) ‘Demand-driven’ student funding, and (b) the Higher Education Participation and Partnership Scheme
2. **Promote diversity** across the sector through the creation of ‘mission based compacts’;
3. **Promote quality** through: (a) funding that is to be allocated to universities according to how well they perform on standardized quality measures, and (b) the establishment of a new and more potent quality assurance agency called TEQSA.

Notwithstanding the multiplicity of objectives and programs, the Commonwealth Government's reform agenda is dominated by a single policy principle – competition. The fundamental proposition behind the government's reform agenda is that the best way to promote participation, diversity and quality in higher education is to increase the level of competition between universities. It seems that this Labor Government has taken to heart the advice of its redoubtable former leader, Paul Keating, who once reminded us that in any two horse race back self-interest every time, at least you know it's trying.

In this paper I will refer briefly to each of the first four of the program areas in this table and suggest that the current day obsession with competition in higher education policy has blinded policy-makers and universities alike to some unintended consequences of competition as well as to the potential for co-operation to serve both the national interest and the self interest of individual universities. Let me rush to add that in mounting this argument, I have no intention of throwing the baby out with the bathwater. I do not deny that competition is an effective vehicle for promoting innovation and quality. Rather, I want to make the more modest point that even within a competitive environment there is merit in co-operative ventures and that universities would do well to explore them and governments to incentivize them.

This brings me to the title of the paper, 'coopetition', which is a neologism I pinched from VC Stephen Parker from the University of Canberra, who tells me that he pinched it from someone who pinched it from someone else. So there you see, I have already demonstrated that coopetition between universities can lead to exciting innovations – this one in the field of linguistics!

I begin by briefly examining the federal government's strategies for promoting participation.

### **Participation**

In what is arguably the most dramatic policy move since John Dawkins ended the binary divide in the 1980s, the Rudd government announced that from 2012, universities will be funded for as many students as they are willing to accept. The Bradley Review considered that the former practice of capping student places was anti-competitive and that the quality and responsiveness of higher education would be enhanced by creating a free, or should I say *freer*, market in funded student places. As a result, universities are now free to decide their own entry standards, enrolment targets and discipline mixes, based on the size and nature of the student body they want to attract and the market will decide the wisdom of its decisions. As far as the government is concerned there is to be no limit on the number of domestic students who can attend university – if the universities are prepared to accept them, the government will fund them. (Watch this space!) This, then, is 'demand-driven' funding.

In an effort to ensure that low SES groups get to share in the expected feeding frenzy, the Commonwealth Government also created the Higher Education Participation and Partnerships Scheme, which provides universities with an added financial incentive to accept students from low socio-economic backgrounds. The HEPP scheme consists of two main components:

1. A ***participation*** component under which universities receive funding based on their share of low SES students attending university throughout the country, and

2. A *partnership* component under which universities receive a baseline amount for collaborating with other education providers (except other universities) and the remainder is distributed through a competitive grant round<sup>1</sup>.

In summary, then, the government has provided a financial incentive for universities to grow by uncapping the number of funded student places together with an additional financial incentive to choose in favour of students from low socio-economic backgrounds. It is abundantly clear that the government will succeed in its first objective of increasing participation rates; universities began over-enrolling long before the caps are due to be lifted in anticipation of the pipeline funding that will flow in 2012. From the government's viewpoint, this is great news – its 'demand-driven' policy is doing precisely what it is supposed to do: increasing enrolments. But there are downsides to the government's participation programs.

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<sup>1</sup> The Partnerships component of HEPPP provides funding to universities to develop partnerships and outreach activities with schools, VET providers, community groups, and State and Territory governments to build the aspirations and capacity of people from low SES backgrounds to participate in higher education. Under this component, each university received baseline funding of \$355 505 each year in 2010 and 2011, and will receive a further \$250 000 each year from 2012 to 2014. The remaining Partnerships funding will be distributed through a competitive grants process, as shown below

	2010	2011	2012	2013	2014
Baseline	\$13 509 190	\$13 509 190	\$9 500 000	\$9 500 000	\$9 500 000
Grants	\$0	\$14 815 786	\$34 904 434	\$34 947 159	\$34 729 511
Total Partnerships	\$13 509 190	\$28 324 976	\$44 404 434	\$44 447 159	\$44 229 511

It is anticipated that, depending on the strength of proposals, funding allocations for the competitive grants process will be distributed in two rounds as follows

- Round 1 will allocate approximately \$15 million each year from 2011 to 2014
- Round 2 will allocate approximately \$20 million each year from 2012 to 2014.

The first is that the abandonment of any form of centralised planning in favour of student choice is likely to perpetuate national skills shortages associated with high cost, low demand courses. I have not yet seen any systematic national data on this issue but our own research on the destinations of NSW UAC entrants shows that almost half of the growth that has occurred since uncapping was announced has been in the field of ‘society and culture’, mainly in the Bachelor of Arts. Although the number of engineering students has grown, there are now six overenrolments in ‘society and culture’ for every one overenrolment in engineering, and the critical skills shortage in agriculture is worsening as the number of school-leavers entering that field is in decline. Given patterns such as these, we can expect *both* increases in unemployment *and* continued national skills shortages as a consequence of the demand-driven funding model.

A second problem with uncapped places is that the policy will entice more students away from inland regional campuses towards metropolitan universities. Now many would argue, indeed the Bradley Review itself argued, that there should be no protection from market forces and if this spells the end of one or more regional universities then so be it. I have elsewhere expressed the contrary view that on multiple grounds it is manifestly in the national interest to retain financially viable regional universities but I will not elaborate on that argument here as it is out of scope in this paper. I refer the reader instead to the relevant paper<sup>1</sup>.

In this paper I hope to demonstrate that co-operation between universities can mitigate these and other unintended consequences of demand-driven funding. Consider first the problem of national skill shortages. Instead of squabbling over small markets or exiting high cost courses, universities could be encouraged to share markets and infrastructure in the way that my colleague, Peter Lee, Vice-

Chancellor of Southern Cross University, and I would like to be able to do. UNE currently has a Bachelor of Engineering Technology and much as I would like to (re-)build that course into a professionally-accredited engineering program, UNE does not have the financial capacity to invest in the infrastructure that is necessary for specializations such as civil or mechanical engineering. An alternative strategy is for UNE to adapt the first 2 years of its current award so as to articulate into Southern Cross's proposed new engineering degree. There is nothing particularly innovative about such an arrangement. There are many such precedents at universities all around the country, which is even more reason for promoting them – because we know they work. In fact, UNE's rural medical program is the product of just such a partnership. In what we call our Joint Medical Program, UNE teaches Newcastle University's curriculum under Newcastle's supervision and with Newcastle's indispensable collaboration in various academic and clinical programs. Why would government not provide start-up grants and/or recurrent funding incentives to universities to collaborate in this way in areas of national skills shortage?

I turn now to the government's other vehicle for growing participation – the Higher Education Participation and Partnership Scheme – where another unintended consequence of competition is operative. In this case, the problem arises because each university's low SES funding is calculated according to its share of the national pool of low SES students attending university. The financial incentive here is to increase one's share of the national pool without increasing the pool itself – to grow the numerator but not the denominator. At least one university is adopting precisely this strategy by offering incentives for low SES students from UNE's traditional catchment area to transfer to that university. If successful, the

end result of this strategy will be: competitor university wins, UNE loses, Australia stands still.

An alternative strategy would be for universities to be incentivized to cooperate in the way that UNE and the University of Sydney will trial in 2012. Under this arrangement, UNE will partner with U. Syd. in creating Australia's first collaborative 'early entry scheme'. This arrangement is based on UNE's long-standing early entry scheme under which students from low SES schools can secure a university place without reference to their ATAR score subject to the recommendation of their school principal. The principal's recommendation must address certain critical criteria that are known to be associated with success at university and must incorporate supporting evidence. UNE has enjoyed considerable success in both enrolling and graduating low SES students since the scheme was introduced more than a decade ago. From 2012, the University of Sydney will offer a limited number of places in the second year of selected courses to low SES schools subject to satisfactory completion of the first year in those courses at UNE. The schools chosen by the University of Sydney are not ones that UNE has traditionally targeted and, at least in theory, the students themselves are not ones who would previously have been attracted to UNE. The benefits of this arrangement to UNE are obvious but there are also significant advantages for the University of Sydney and for the nation as a whole. For its part, the University of Sydney is positioned not only to increase the number of low SES students participating in its university but those students do not arrive until second year by which time much of the risk has been taken out of their acceptance and the university gets to top up for first-year attrition in its original first-year cohort. In addition, because this is a whole new student market (low SES students without the requisite ATAR wishing to attend the University of Sydney), it is reasonable to

predict growth in the national pool of low SES students, not just in an individual university's share of the pool.

From UNE's self-interested point of view, however, this is a most unwise strategy because we will suffer financially and reputationally under the government's competition policy. In the first place, to the extent that UNE and Sydney succeed in opening a new market in low SES students, we will be expanding the denominator not just the numerator in the calculation of UNE's share of low SES funding. And in the second place, each student who transfers to Sydney from UNE will be recorded as a dropout from UNE, and attrition is one of the quality measures that will be included in the MyUniversity website and used to determine our entitlement to performance funding. Once again the obsession with universities' competitive performance against each other has blinded policy-makers to the potential advantage of sharing responsibility for a national objective.

This issue of performance funding brings me now to the other two objectives of the government's higher education reform agenda - diversity and quality.

### **Diversity and Quality**

The federal government's mechanism for promoting diversity in higher education is the 'mission-based compact', which, in the government's own words:

*“will define an institution's particular mission and describe how it will fulfil that mission and contribute to the Australian Government's sector-wide policy objectives. (It) will facilitate alignment of institutional activity with national priorities.”*

Mission based compacts provide universities with the opportunity to identify what is distinctive about themselves and to express that in a service level agreement with the Commonwealth. All universities have by now completed a compact template which opens with the university's Mission Statement and requires universities to "describe (their) current circumstances as well as (their) aspirations and major priorities over the short to medium term". The remainder of the template asks universities to spell out how these qualities will advance the Commonwealth's reform agenda summarized in the above Table. The mission based compact is a welcome initiative that recognizes that not all Australian universities are or should be alike and that the nation benefits when universities pursue complementary specialties and priorities. In compacts, then, we see the germ of a policy idea that favours co-operation over competition.

The problem with compacts, however, is that they incorporate an approach to reward funding that drives universities into competition with one another. In 2012 DEEWR will promulgate a uniform set of indicators against which every university's reward funding will be assessed. Among those indicators will be standardized measures of the student experience, teaching quality, academic attainment, and student satisfaction. Results on these tests will be published on a 'My University' website for all the world to see and will be entered into a formula to calculate each university's entitlement to a share of a funding pool that rises to \$128 million per annum by 2013.

So the one mechanism – mission based compacts – advocates diversity while simultaneously insisting that we be judged according to a uniform set of measures. You can't have it both ways. You can't tell us to go forth and diversify while also telling us that we have to excel in precisely the same things. The rhetoric may be

about difference but the financial incentive is about uniformity as we strive to maximize our share of the reward pool. Why would the government commit such an obvious error of logic? The answer is because its thinking is once again dominated a missionary faith in the virtues of competition. The notion is that everything from equity to quality can be advanced by forcing universities to compete for funds according to how well they perform relative to one another. And we obviously can't compete unless we play by precisely the same rules. If we are serious about diversifying our universities, why not allow them to negotiate idiosyncratic performance measures aligned with their Mission Statements?

### **Summary**

In summary, I have tried to show that the Commonwealth government's preoccupation with competition in higher education policy is almost certain to lead to adverse consequences and that promoting co-operation between universities is in the national interest. There is nothing wrong with competition of course. As a matter of fact and contrary to public opinion, universities are very well acquainted with competition through research grant programs, Excellence in Research Australia assessments, and the old Learning and Teaching Performance Fund. There is also little doubt that such schemes have driven universities to work hard and maximize their achievements. So the solution is not to jettison competition but to moderate it. And this can be achieved by combining uncapped student places with financial incentives that serve the common good. The creation of a free market in student places through uncapping is all that is needed to drive competition and this policy could be combined with incentives:

1. To collaborate with other universities in mounting and promoting courses aligned with occupations in high demand;

2. To grow the national pool of low SES students rather than each universities share of the national pool, and
3. To complement one another by diversifying rather than standardizing their institutional priorities.

The resultant “coopetive” policy framework has the potential to provide the nation with the best of both worlds – the motivating power of self interest and the social benefits of cooperation.

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<sup>i</sup> <http://www.une.edu.au/vc/vcoffice/uneregional.pdf>