

The role of reputational risk in redesigning and realigning universities

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Institutional challenges to the University

- NPM fundamentally sought to replace democracy with efficiency, trust with contract, quality with quantity, and moves from input to output accountability. 'Only academics can recognise quality'
-in a context of increasing institutional autonomy/accountability, linked to attempt to limit/remove (state) regulation, and to shift towards risk management at institutional level
- Massification (Inclusion)
- Internationalisation (both source and field of competition)
- Cost sharing (PFI-style)
- Preventing 'Provider capture'
- Promoting Competitiveness

Conditions generating reputation-based competition between Universities

- Declining levels of public funding—two aspects; less finance in total, stratification of basis of distribution of funds
- Tighter relationship to Knowledge Economy; more pressure on Universities to contribute to scientific progress—which excludes many from the contest, and puts others into competition with each other
- Role of Bologna, Erasmus, with more common frameworks—eg, QA—heightens competition, and starts to differentiate the sector and stratify the population. (cf Figel speech)
- Research role (necessarily) restricted to minority

From Quality Assurance to Risk Management

- The ‘institutionalisation’ of ‘Quality’ as a notion, a set of practices and evidential base for membership of an international HE community is an increasingly dominant feature of the HE landscape over the past 20 years.
- ‘Indicators’ enable/require the quantification of quality, and that in turn enables *rankings*, a key addition to the regulatory armamentarium of those who would control and direct Universities
- ? Key example of ‘independent effects’ of policy mechanisms (Lascoumes and Le gales)?

Differences between Quality and rankings

- Indicators of quality are threshold concepts, not comparative
- They are in effect zero-sum; you either have the or you don't
- They are 'non-rivalrous': one University possessing them doesn't prevent another being quality assured
- They are a framework for action that can be met in diverse ways
- They are subject to formal audit
- Hence not available in forms amenable to ranking
- LOOSE COUPLING WORKS WITH QA BUT NOT WITH RANKINGS (SAUDER/ESP)
- RANKING BOTH MEANS OF ASSESSMENT AND POLICY INSTRUMENT (SCOTT)
- OUTWARD AS WELL AS INWARD LOOKING (RELATIONSHIP TO OUTPUTS AS WELL AS PROCESSES OF RESEARCH) AND 'EXTERNAL OPPORTUNITY STRUCTURES –K E ETC—GLOBAL COMPETITION, NOT CONFORMING TO NATIONAL STANDARDS
- The move from QA to international rankings is a shift from (national and international)consumer protection to global competitive comparison

The importance of quantification

- ‘it is not the unchallenged authority of experts, but rather resistance to them, that most often forces administrators to express their reasoning in numbers’...(quantification) can be seen as) a strategy for overcoming distance and distrust’(Porter)
- From mystique to technique
- Quantification enables construction of ‘equivalence spaces’— ‘an act that is at once technical and political (because it changes the world)’ (Desrosieres)
- League tables as a means of comparing ‘productivity’, ‘scientific contribution’, ‘social impact’ of the individual and collective ‘outputs’ of academics and Universities changes both their world.

The introduction of 'Risk Management

- In 2000, HEFCE required all universities to introduce risk management as a governance tool.
- Based on private sector model (PWC)
- HEFCE guidance 'directs the governing body towards a high level, risk-based approach to establishing a sound system of internal control, covering all types of risk' (HEFCE 2001)
- Among other things, this in itself creates a new kind of risk for HEIs in the form of their reputation with HEFCE
- 'Risk management is part of a broader set of transformations of universities from being ungovernable and idiosyncratic collections of individuals to being accountable organisations with clear missions, formal structures, professional management and an 'appetite' for risk' (Krucken and Meier 2006)

Risk Management

- QA neither creates significant comparative risks, nor would be sufficient in itself to manage the risks of being in global knowledge economy
- This is crucial, when ' mandatory risk management makes HEIs become strategic entrepreneurial actors.universities become organisational actors (Krücken & Meier, 2006) which must engage in practices like competition and strategy development formerly exclusive to the private sector'.(Huber)
- So the rationale behind risk management becomes a dominant one as it is reproduced through internalisation (Power, Scheytt, Soin, & Sahlin, 2009). The organisation has no other means to see itself but through the lens of risk management.

'Reputational risk'

- NB, it needs to be defined as a risk, not as 'an unfortunate position on an arbitrary data sheet'
- 'As an increasingly explicit managerial category is both a specific symptom of late modern intensification of organisational and individual concern with appearances and plays a performative role in shaping managerial behaviour' (Power et al)
- Rankings transform organisational reputation and constitute it as a managerial object that pervades most areas of the institution
- Reputational risk as 'a form of rationality itself, which knows no limits and is expandable to everything' (Power 2004)

'Reputation' as the currency of risk in HE

- Rankings as (best known but not only) 'calculative representations of reputation'
- Increasing prominence as they acquire recognition
- They generate self-reinforcing behaviours and shift cognitive forms and values, motivations and missions'
- They not only order, but determine basis of order, and thereby construct reputation
- Reputation is produced by the forms that measure it

- Rankings perpetuate the internal organisational importance of externally constructed reputation
- --and may also fuel 'positional competition'

Universities and reputational risk

- ‘the adoption of standardized risk management designs has become a benchmark of being a legitimate organization (and)
-the recent emergence of ‘reputational risk’ as an increasingly explicit managerial category is both a specific symptom of late modern intensification of organizational and individual concern with appearances, and also plays a performative role in shaping managerial behaviour.
- Reputational risk differs in its social construction from other risk categories by being a purely ‘man-made’ product of social interaction and communication....e g, universities as knowledge organizations which operate in institutional environments which observe, rank and evaluate them via a variety of instruments and metrics.
- not only do such instruments for measuring organizational reputation transform and constitute it as a managerial object...but significant ranking systems come to be perceived and articulated as a source of reputational risk. Power et al

'Reputation' as the currency of risk in HE

- The emergence of 'Reputation' as the key and dominant currency of risk to Universities world wide has been enabled and fuelled through a process where agencies external to the organisation, and initially possibly peripheral to, and even parasitic on, the field, not only collect information from institutions within the field, but combine and produce it in new forms, typically aggregate rankings.
- 'these dense, often single-figure, calculative representations of reputation constitute a new kind of performance metric and are a growing **source** of man-made, institutionalised risk to organizations as they acquire increased recognition in fields' (Power et al 2010, 311)

Broad Consequences

While Rankings are formally designed to enable external/public accountability they have much more effect on those within the institutions

They generate 'self-reinforcing behaviours and shifting cognitive frames and values over time...and have the potential to shift motivations and missions by constructing self-reinforcing circuits of performance'), so that

'organizational performance indicators for internal purposes come to be reactively aligned with those which inform an evaluation or ranking system' (Espeland and Sauder 2007)' (312

'Reputation, as a perceptual construct, may be one component of a ranking metric in the first instance, but the rank itself come to influence the perceptions of key constituencies, such as clients

More immediate consequences

- The pervasiveness of (reputational) risk management throughout the University threatens the loosely coupled basis on which the 'traditional' University rests
- Precarity of academic employment
- Trivialisation of scholarship, research and teaching
- Inappropriate management calculus
- Gaming, verging on cheating
- Creation of opportunities for parallel markets, 'alter-reputational' risks, especially cost/duration based

Effects of rankings as forms of reputational risk on modes of knowledge production, distribution and validation

- Production: Who determines what counts as knowledge?
- Distribution: Who is taught, (or learns through processes explicitly designed to foster learning), what, how and why, when, where, by/from whom, under what immediate circumstances and broader conditions, and with what personal, professional and institutional consequences?
- Validation: What is knowledge *for*? Academic Knowledge vs Professional Expertise (e g doctoral supervision)

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