


University leaders can turn to the future, with vigour in their step

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The dust is beginning to settle on the post-election landscape. New leaders are in place, ministers and shadows have taken office, and the post-election posturing has started in earnest. University leaders now turn to the future, with renewed vigour in their step. But which direction to take?

In my recently published report, [How Australian Universities are Positioned for the Post-Covid Rebound](#), I quantified the higher education sector's prospects for a post-pandemic rebound and elaborated six drivers of post-pandemic success.

In this article I address two of those drivers: firstly, the business model, and secondly, the academic program and workforce.

A business model is a set of strategic choices about which products and customers to focus on, how to deliver the product or service, and how to operate the business. University business models are driven by a variety of factors – discipline mix, campus footprint, research funding, mix of face-to-face and online teaching among them – but international student income has been the key driver for most universities over the last decade.

We evaluate university business models based on operating margins and international revenue share pre-pandemic and publicly-available data on performance during the pandemic. In our analysis, the University of Sydney was the standout performer. Since we published the report, Sydney released its 2021 results revealing a \$1bn surplus. Monash University, another high scorer on our metric, has also posted a strong 2021 surplus (\$416m).

Group of Eight universities rate well in our model as we might expect – their reputation fuels student demand, bestows pricing power and attracts academic talent.

However, the top 10 includes a diverse mix of institutions: small universities like the University of Canberra and Edith Cowan, mid-sized Australian Technology Network members like Deakin and UTS, and four Group of Eight heavyweights.

The data suggests there is no single model that pre-determines a university's financial success or otherwise. Reputation is a major asset, but the performance of lesser-ranked universities demonstrates the possibilities available to all.

Indeed, if we look at operating surpluses as a proportion of revenue over the decade leading up to the pandemic, the fifth and sixth highest ratios belonged to the University of Notre Dame and the University of the Sunshine Coast, two of the smallest institutions in the country.

At the other end of the scale, we see a predominance of regional and unaffiliated universities in the bottom 10 on our business model metric (alongside one Group of Eight institution). The spread of performance and successful models suggest they should not be there as a given based on reputation, location, size or other determinant.

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We see a similar diversity in measuring academic program and workforce. Our top 10 is led by two regional universities and includes two Australian Technology Network members, two unaffiliated organisations, one Innovative Research University member, one Group of Eight institution and two further regional universities.

Our academic program and workforce metric is a composite measure based on the performance of the academic portfolio (in terms of market growth) and the efficiency of the supporting workload model, measured using three workforce ratios. The data illustrates again that size or another characteristic is not a pre-determinant for a high-performing academic program or lean workforce model.

This is good news for university leaders planning a post-pandemic way forward. There is no in-built impediment to success or single institutional configuration necessary for a buoyant future.

However, there are certain choices and factors that will aid their journey. First, articulate a clear role for international education in the business and divert income which accrues in any boom years in the decade ahead to reserves and tightly-governed investment income. At a minimum, leaders should avoid 'baking' international revenues into the design of their underlying cost base.

Second, assess the alignment of the academic portfolio to the changing structure of the labour market. In the Post-Covid Rebound report we mapped labour market forecasts from the National Skills Commission to education disciplines. Services and technology professions dominate the growth projections. The underlying education disciplines in fields such as management and commerce, health care and education need to be top of mind for university leaders. They will be the ones that require the greatest investment in course innovation, currency of the curriculum, student experience, industry connections, and digital integration.

Third, the student experience requires renewed attention. We advocate a focus on embedding employability, digital skills and experiences into the core of the curriculum. The revival of campus life will also be key for universities targeting a post-pandemic bounce in their student experience. For larger universities, the focus should be on creating localised activities, cohort networks, student support and learner engagement that reflect the interaction and familiarity experienced at a smaller institution.

Some academics might decry language and concepts such as business model or academic portfolio. In an ideal world we might enable academics to commit to their research endeavours and student programs without imposing these considerations.

However, we live in a constrained world. The new Treasurer, Jim Chalmers, has lost no time in setting expectations for a tough budget in October. Universities compete for students, government funds, and research income – against each other, private providers and new entrants. Lean, nimble organisations that deliver what students and the market want will be best placed to create thriving academic institutions over the longer term.

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