Implementation of Risk Management in the Australian Public University Sector:
Insights from a Collective Action Model of Institutional Innovation

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Abstract

Australian public universities are experiencing a change towards a corporate culture. This change process involves the adoption of a range of corporate control processes to facilitate effective governance. This study examines the extent to which one of these processes, risk management, is adopted under an environment of change management. The study draws on a collective action model of institutional innovation as the theoretical framework and utilizes a qualitative research methodology to analyse the extent of the adoption of this process. The findings confirm the theoretical propositions of the model and illustrates that specific actors in the sector frame issues, mobilize collective actions, and engage in contested processes in order to achieve different outcomes in the implementation of risk management. The study has provided insights into these different outcomes and suggests that an important causal factor is the different levels of impact of an organization's wider influencing forces on the governance paradigm and consequently the various drivers and owners of the process. The study identified these different wider influencing forces and provides avenues for further research to test the theoretical proposition that universities need to recognize these wider influencing forces within their governance framework and address them to minimize tensions or conflicts in developing and implementing its governance processes.

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Introduction

Australian public universities as public universities of developed countries have experienced significant changes in their operating environment. They have emerged from a sheltered risk free existence supported by funding from the government into a global educational market competitor characterized by a need to more actively generate their own constituencies and resources (Parker, 2011). This had led to an increased complexity in its operations which in turn led to a requirement for more professionalism and accountability of university management. The Commonwealth Government, as the main stakeholder, had introduced a range of policies through a set of governance protocols encouraging a transformation to a more accountable entity (Australian Government, 2003). This had led to an emphasis towards corporate managerialism and the adoption of corporate governance control processes. One of these controls within the corporate governance model relates to risk management, which involves processes put in place to identify and manage risks associated with the operations of the university. The characteristics of good risk management practice are reflected in current corporate sector governance guidelines and risk management standards (e.g. ASX, 2007; ISO 31000).

The extent of guidance provided by the governance protocols relative to risk management is, however, limited to requiring universities to include a report on risk management in their annual report. There is no specific guidance as to how risk management is to be developed and implemented in universities or any reference made to existing risk management standards or corporate governance guidelines to be complied with. Furthermore, as a consequence of the Bradley Report (2008), compliance with the protocols is not mandatory. It is at best a good practice guideline.

Given the above scenario, it is uncertain to what extent Australian public universities have developed and implemented appropriate risk management practices. The current literature on university governance research is limited to identifying and/or discussing governance models at the higher conceptual level (e.g. Clark, 2004; Amaral et al, 2002; Marginson and Rhodes, 2002; Besant, 2002; Marginson and Considine, 2000; Braun, 1999; Vidovich and Currie, 2011). There is very little research undertaken on transforming the broad issues of governance to the operating levels or examining the adoption of important governance processes within the university sector.

This study addresses this research gap by examining the extent to which risk management practices, as an important governance control process, have been developed and implemented in Australian public universities. The consequent research question is: To what extent are risk management practices developed and implemented in Australian public universities? The underpinning theoretical framework applied is the collective action model of institutional innovation (Hargrave and Van de Ven, 2006) which provides a relevant framework for the study of institutional change or innovation relative to the adoption of new processes and or factors impacting its adoption.

The rest of this paper is structured as follows. Firstly, a brief overview of the Australian public university sector and its current operating environment is provided as the context of the study. Secondly, the literature on risk management and its significance to governance of corporations is provided. Thirdly, Hargrave and Van de Ven's (2006) collective action model of institutional innovation is discussed as the underpinning theory on which this study is based. The fourth section outlines the research methodology. In the fifth section, the results are presented. The final section formulates a discussion and conclusion for this study.

The Australian public university sector

The Australian public university sector consists of 37 universities and is a multi-billion dollar revenue generator for the country. In 2008, the sector was responsible for contributing 15 billion dollars to the Australian economy, thus ranking it as the third largest export industry of Australia (Birell and Smith, 2010). The main cause for its rapid expansion since the 1980's was the globalisation of education services as a result of global labour market priorities (Marginson and Considine, 2000; Clark, 1998, 2004; Meek, 2002). This global phenomenon of expansion from 'elite' to a mass system of education had led to an increased level of management complexity in its operations (Coates et al., 2009; Meek, 2002). The consequent change to this complex operating environment created a need to professionalise university management and its importance was highlighted by the Hoare Report on university governance (Hoare, 1995).

The need to address the concerns of the Hoare report was already set in motion by the Dawkins report (1989) which set the foundation for a more managerial approach which was in essence influenced by broader public sector reforms during this period (Harman, 2001; Meek, 2002). This new managerial approach was also referred to as a corporate or entrepreneurial

approach. Here, the emphasis was towards New Public Management (NPM), market based public administration and managerialism (Parker, 2011).

To ensure the managerial approach was embedded within Australian university management culture, the Australian Commonwealth Government introduced a national set of eleven governance protocols for universities under the Higher Education Support Act of 2003 (Australian Government, 2003). The push towards a corporate model through theses protocols was also influenced by ongoing Commonwealth education reforms that required university management to be more 'business like' in its approach.

The spirit of the protocols was to increase the accountability and responsibility of council members towards stakeholders. This was against a backdrop where stakeholders required some form of assurance from council members who were now operationally managing a university that is exposed to increased risk.

Risk management – an overview

The risk management practices of organisations have evolved over the years. Bernstein (1996) traces the concept of risk back to the 13th and 14th century, recognising that we all practiced risk management at some point of time, whether as individuals or as business managers and are still practicing this same concept of risk management. It however takes different forms due to different impacts resulting from diverse organisational, disciplinary and methodological settings (Renn, 1998). This is based on the concept of risk being defined as the uncertainty of the event, the consequences of the outcome, and the benefit of warding off the threat of that risk (Cleary and Malleret, 2007). It is argued that this concept of an anticipated threat and the need to create the desired future as a result of managing this threat under complex organisational operations has taken risk management to new heights in the governance of organisations.

From a historical perspective on the implementation of risk management in organisations, the literature reveals that in general risk management was practiced in organisations in the 1980s by managing risk in 'silos' through insurance management and controlling transaction risk. This was gradually moved to a level of professionalism that recognised risk management as more sophisticated, complex and involving other sub disciplines of risk (such as strategic, operational , financial, business continuity, reputational, etc) which were required to be integrated with broad corporate governance responsibilities (Selim and McNamee, 1999). This change in the level of

complexity had led to different approaches to risk management. Prominent in these approaches was the emergence of the concept of enterprise risk management and the recognition of factors associated with its implementation (Beasley et al, 2005; Moeller, 2007). This level of complexity and the need to consider every facet of operations was further highlighted by Hoffman (2002), who identified billions of dollars lost annually by organisations through operational risks not adequately managed. As the name suggests, enterprise risk management involves every facet of an organisations operations from the board level to the operational level. Risk management was soon regarded as a profession of its own and its importance gained specific prominence when it was integrated with corporate governance principles and managed through professional risk management departments (Froot et al, 1994; Lam, 2003; Chapman, 2006). Working risk management frameworks to assist with the operationalization of risk management were subsequently developed that integrated risk management with strategic planning and internal controls (e.g. Standards Australian and Standards New Zealand Standard 4360, 2004; COSO ERM framework, 2004, Moeller, 2007). These standards were superseded by ISO 31000 (ISO/DIS 310000, 2009), the first global risk management standard released in early 2009.

Theoretical framework - A collective action model of institutional innovation

The study focuses on the implementation of a new managerial concept and process, risk management. The implementation of this process depends on the views of different actors that may have conflicting views on risk management. Hargrave and Van de Ven's (2006) collective action model of institutional innovation is used as a theoretical framework for this study as it considers the impact of these different views in the implementation process. The model views institutional change or innovation as a dialectical process in which partisan actors espousing conflicting views confront each other and engage in political behaviours to create and change institutions. We prefer this model over other models in the (neo) institutional literature given that the latter mainly focuses on how institutional arrangements are adopted and diffused, and have been relatively silent about institutional innovation, or the generative process of collective action through witch innovative processes are implemented.

Before proceeding to outline the characteristics of the model in detail, the terms institution, institutional arrangement and institutional innovation as used in the description of the model are defined in the context of this study. The term *institution* refers to an institutional

arrangement, and in the context of this study refers to risk management practices (Hurwicz, 1993). *Institutional arrangements* may apply to a single institutional actor (one university) or to an industry or population (all public universities in Australia). We consider the implementation of risk management practices as *institutional change*. Given that this change is a novel or unprecedented departure from the past (in most universities, there was no formal risk management in the past), it represents a so-called *institutional innovation* (Hargrave and Van de Ven, 2006). In the following sections the various components of the model are outlined.

Hargrave and Van de Ven's (2006) model is firstly characterized by drivers of institutional changes such as conflict, power and politics in explaining institutional innovation. They argue that conflict is the core generating mechanism of change, power is a necessary condition for the expression of conflict, and political strategies and tactics are the means by which parties engage in conflict. These three drivers are further discussed as follows:

Driving factors

First, *conflict* generates new norms and institutions but also stimulates economic development. People within an organization need not fear conflict and should welcome it (Coser, 1957). Conflict is a source of creativity that enables institutional change (Commons, 1950).

Second, *power* means that organizations' institution-building is not always driven by efficiency considerations nor even by the desire to gain legitimacy among members of the organizational field. Rather, action is driven by the desire to maintain power or to appear legitimate in the eyes of those who control the organization's resources (Hargrave and Van de Ven, 2006).

Third, scholars have presented rich descriptions of *political strategies and tactics* used by institutional entrepreneurs to effect institutional change. To build their theoretical model, Hargrave and Van de Ven (2006) picked out a few interpretations that can also be used in this study. They refer to Alinsky (1971) and Fligstein (1997) who refer to attack, confrontation and manipulation as political tactics, whereas Warren (2001) focuses more on cooperation and compromise. Lindblom (1965) also includes negotiation as an important political strategy. He distinguished three types of negotiation: (1) discussion when one can only appeal to the other; (2) bargains when one can effectively make a threat or promise; and (3) reciprocity when mutual obligations exists.

The institutional change process itself

Complementary to these driving factors, Hargrave and Van de Ven (2006) also identified three specific characteristics of the institutional change process itself. The first characteristic refers to institutional change as involving *framing contest* meaning that opposing actors, each seeking to achieve its goals struggle against one another to frame and reframe the meanings of relevant issues. Collective understandings emerge from battles over the meaning(s) that are constantly under challenge. In this context, Morrill et al. (2003) argue that a dominant frame / understanding is seldom a consensual frame and frames are 'contested terrains' over control and power. Frame settlements are temporary truces to political conflict and struggle among opposing coalitions. According to Strang and Bradburn (2001), frames are rarely constructed out of whole cloth; they are fabricated from already available repertoires and cultural artifacts.

The second characteristic refers to institutional entrepreneurs *constructing networks* of complementary players that collectively possess the skills and resources needed to achieve success and to enact the institutional arrangements that govern action in the organizational field. Networks serve as conduits through which new models, concepts and practices diffuse and become part of an organization's repertoire (Campbell, 2002). Networks enable collective action. It is important to note, however, that network construction will fail without directive leadership (Warren, 2001).

The third characteristic refers to institutional innovation as a *collective action process* that emerges from opposing views of actors, each seeking to effect institutional change in order to change material conditions and achieve its goals. In other words, actors attempt to influence and change the organizational field. The process of institutional change is often a political process of mobilizing campaigns to legitimate a social or technical innovation. Legitimacy has both cognitive and sociopolitical dimensions. Cognitive legitimacy means that an institutional change is desirable, proper and appropriate within a widely shared system of norms and values (Scott, 2001; Stryker, 1994). Sociopolitical legitimacy consists of endorsements and the support of key constituents who play key roles in developing and implementing an innovation (Carroll and Hannan, 2000; Rao, 2001). In other words, new institutional arrangements gain cognitive legitimacy when entrepreneurs or activists succeed in framing their projects as valid, reliable and useful. To accomplish this, entrepreneurs and activists must engage in political processes (Rao, 1998).

Figure 1 provides an overview of the theoretical framework of this study.

[INSERT FIGURE 1 HERE]

Research methodology

Motivation for case study research

The study adopts a qualitative approach as it is deemed the most appropriate to explore new dimensions of an area not investigated previously (Miles and Huberman, 1994; Taylor an Bogdan, 1992). In case of a sensitive subject matter such as the topic in question, individual in-depth interviews provide a more effective tool and create an environment where participants are more likely to express their perceptions more openly and frankly (Maykut and Morehouse, 1994). This includes the encouragement of participants to use their own words (Bogdan and Biklen, 1992). Other advantages of this approach include the encouragement of personal thought, the respondent's attentiveness to questions, and the ability of the interviewer to sense non-verbal feedback (Sokolow, 1985).

Selection of universities and interviewees

In Australia, all 37 public universities are categorized into four groups. Each group is characterized by a common set of environmental influencing forces based on their operating structures. The four groups are: (1) the Group of eight Universities (Go8), consisting of eight old sandstone universities that are well grounded in both teaching and research; (2) Australian Technology Network (ATN) Universities that originated from higher education or technology institutions; (3) Australian Regional Universities (ARU), being universities developed to serve specific regions. They are significantly more dependent on government funding that the other groups; and (4) the Australian Innovative Research Universities (IRU), comprising newer universities that adopt a more research focused strategic approach. Samples were selected to ensure all groupings were represented by at least two representatives from each category of staff members interviewed; these being vice chancellors, senior management staff and Chief Audit Executives (CAEs).

A purposeful sampling approach (Straus and Corbin, 1998) was used to determine the three groups of staff to be interviewed. The first group of interviewees comprised nine vice chancellors representing 25 percent of the total population of all universities. The underlying

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purpose of the first group was to obtain views from a group of staff who are ultimately responsible as drivers of risk management implementation within their universities. The second group of interviewees consists of second tier management, more specifically, 14 staff members made up of university secretaries/governance executives, executive deans of divisions and chief financial officers. They represent nine universities (approximately 25 percent of all Australian public universities). The purpose of the second group is to obtain views from a group of second tier senior managers who are owners of the process at a division or senior departmental level and who can verify the vice chancellors views. The third group of interviewees consists of 12 CAEs representing 35 percent of all Australian public universities. The rationale for selecting CAEs is because of their role of enhancing governance by being an important component of governance (IIA, 2002). Some of them are also facilitators of the risk management process. They hold senior positions in the organisational structure and through their independent functional role are meant to know the governance spectrum of their organisations from an operational perspective. Further in combination with the complimentary role they play in providing assurance to management as to effectiveness of governance processes including the risk management process it is suggested that CAEs are in the best position to provide an independent input as to the risk management culture of the organisation. Interview numbers for all three groups were restricted once saturation of information was achieved. Interviewees were promised anonymity, and as such the names of interviewees or their respective organisations are not identified in this paper. The samples selected from all three groups are shown in Table 1.

[INSERT TABLE 1 HERE]

Interviewees were guided by semi-structured questions and probing questions were followed on from the initial general semi-structured questions. Interviewees were interviewed for about an hour at their worksites. The interviews were recorded by tape.

The analysis process commenced with transcribing the raw data from interview tapes. Raw transcripts were then summarised and analysed thematically based on the theoretical framework (Miles and Huberman, 1994). This began with a coding process using the 'open coding' technique (Strauss and Corbin, 1998). The whole process of coding, pattern matching etc. was facilitated by utilising the Nvivo software package. In particular, the software was useful

in compiling an interview summary for each theme (a collation of all interviewee's responses relative to a theme) which facilitated comparative analysis of a participant's responses.

Secondary data

In addition to the analysis of transcripts along the above lines, an analysis of secondary data was also conducted in parallel thus further corroborating the data on a continuous basis. Textual secondary data from the university web sites and supporting documents provided by interviewees were analysed using the same techniques as utilised in the analysis of transcripts. Examples of such secondary data used in the corroborating and supporting analysis included risk management structures, risk management frameworks and policies and procedures relative to risk management. The dual process facilitated further rigour and strength in the data gathering and analysis phase.

Empirical findings

The results reveal a number of key decision makers (actors) in the university sector responsible for driving and implementing risk management practices in the Australian public sector. These actors through a process of conflict via political strategies and collective action in the context of Hargraves and Van de Ven's model have generated the change process towards implementing risk management practices. The interviews identified these actors as comprising of external and internal actors. The first external actor is the Commonwealth Government, the main stakeholder. The Commonwealth Government has influenced the operations of universities through policies that have reduced a dependence on government funding, encouraged universities to be globally competitive and venture into activities to generate their own funds. They have also encouraged universities to take on a corporate approach in managing their operations. These changes to the operating structure involve risk and require a greater level of accountability from university management. The Commonwealth Government in pursuing their policy towards a corporate culture in public universities had introduced a number of governance protocols to enhance the increased level of accountability required of university management. One of these protocols requires management to develop appropriate risk management practices. The second external actor is the governance guidelines and risk management standards (e.g. ASX, 2007; ISO

31000) that influence universities in adopting similar best practice guidelines relative to risk management.

Within the university, there are a number of internal actors. The main internal actor is the university council which comprise of a number of council members. They have ultimate authority and accountability for university operations and have a responsibility of executing government policy requirements. In relation to the implementation of risk management practices, they do this through a sub-committee of council normally referred to as the risk management committee. While council members are generally concerned with implementing risk management at the conceptual level, they delegate responsibility to the vice chancellor (VC) as the chief executive officer (CEO) of the university, to ensure the process is implemented at the operational level. Hence, the CEO is another important actor. Further actors identified as taking on the responsibility to manage the risk management process at the implementation stage include the chief audit executive (CAE), heads of departments and external service providers.

The concept of conflict as played out among the actors varies with each university as the actors use their power, political strategies and tactics to generate different outcomes in the change process. In relation to 'power', council members use their powers actively to ensure risk management practices are driven by council. In most universities, these practices are driven through their delegated officer, the vice chancellor. In relation, to political strategies and tactics, the results of the study illustrate Australian public universities are focussing more on cooperation and compromise between the actors (Warren,2001) to arrive at a suitable outcome, that is risk management practices are considered as satisfactorily implemented. There were also outcomes of risk management practices in certain universities that were perceived by interviewees as not satisfactory implemented.

This observation is illustrated through the following three themes as to the status of development and implementation of the risk management process. They are: (1) risk management is perceived as being satisfactorily managed through different structural and functional set ups; (2) risk management (irrespective of its structural and functional set ups) is not adequately managed; and (3) there are differences in the level of development and implementation of the risk management process due to the various actors being influenced differently by a number of wider influencing forces that impact on the governance paradigm of universities.

These three themes are discussed in the context of the theoretical model adopted in this study:

Risk Management is perceived as being satisfactorily managed through a number of structural and functional set ups.

Performed by internal audit

This theme is the result of a dominant influence in the conflict process by the chief audit executive (CAE) of each university. Some of these CAEs have taken a proactive role in recognizing the synergy created through their role in internal audit in ensuring appropriate risk management practices are developed in the organization. To maintain their independence as an internal auditor, they limit their role as a facilitator of the risk management process rather than being involved in the operations of the process. Individual managers of departments take on the role as the owners of the process, thus it is their responsibility to ensure risk is identified and managed in line with an established process facilitated by the internal audit function. Many of these chief audit executives have hence raised their profile and hierarchical position within the university with many of them having their position redesignated as Director, Audit and Risk Management. Vice Chancellors as CEOs have responded positively to this power struggle by chief audit executives, accepting that risk management is best coordinated through the internal audit department. They are of the view that the internal audit department is most appropriate to undertake the process given its synergy with risk management and stressed that internal audit still maintained its independence by reporting to the vice chancellor administratively and to the audit committee functionally. The comments of VC of U3 reflected the common sentiment of interviewees relative to this observation:

"Risk management is handled by our internal audit team. The internal auditor reports to me for standard matters including risk management. When I became vice chancellor, internal audit used to report to the finance director. That was a conflict. One of my first decisions was they report to me. But all governance related activities they report to the chancellor. They report to me for operating purposes. But their reports are to council. So they have independence. They report to the audit committee and they report to me for operational purposes. I am very respectful of that line".

The operational and reporting processes relative to risk management carried out by internal audit functions however varied across universities. In the context of Hargraves and Van de Ven's model, the implementation of risk management at the operational level in each university is reflected through different 'frames' that is each frame is due to the different levels of influence generated by the chief audit executives. They chief audit executives ranged in level of professionalism with of them taking risk management to the level where it is integrated with strategic planning and the budgeting process. This 'frame' of delivery is strongly influenced by the existing ISO 31000 risk management standard but its actual implementation involves a version of the standard determined through framing contests, where actors negotiate to arrive at a certain frame of delivery (example: CAEs as facilitators of the process negotiate with managers of departments as owners of the process and the CEO as the driver of the process to arrive at a certain frame of delivery). VC of U8 provided insights as to the more common version of this 'frame' through which risk management practices are carried out and stressed the essence of it was to cover all types of possible risk:

"…Within my section, we have one officer who is not the risk manager for the university but who is the risk management co-ordinator. We have a formal risk management policy and we have a separate risk management committee. It's a subcommittee of the senate and it is separate from our audit committee. We saw it as beneficial and necessary to have a separate risk management committee. We place the responsibility for risk management on all managers across the university. The risk management coordinator has designed the framework. We've actually designed a… we've developed an enterprise risk management software system. It's an in house development and that enables us to review the strategic and the operational risk management exercises that are done each year. One of the roles of the risk management coordinator is to collate the various reports that come in. That's monitored rather well. Whilst we do carry out a review of the effectiveness of the overall enterprise risk management there's really a need to be properly independent, so we have an external review carried out every so often".

The CAE of U4 reflected on another 'frame' in which risk management is carried out:
"I look after the risk management framework. With regards the operational aspects, for independence reasons, I don't touch the insurance portfolio. I don't do safety and workers' comp and legal is done outside because we've got a university council. But I do have a say in how

things get squared away. My internal auditors don't do risk management and my risk management people don't do internal audit. The separation of duties within the staffing and the fact that an independent peer review was done enhanced the independence requirement".

<u>*Outsourced functions*</u>

In universities where CAEs have not taken on a proactive role and being an 'actor' in the conflict process, vice chancellors have used their influence in the conflict process among the actors to outsource the risk management function. This process inevitably invites another participant to the negotiation process, the outside service provider. The process at the operational level is hence 'framed' differently as these outsourced functions have their own approaches towards risk management. VC of U9 expressed the common sentiment of VC's:

"We outsource ours to Deloitte and we have people who are strong risk managers. For example next week I'm running a risk workshop with our audit and risk committee and some of our key executives. We're going through all the university's risks for three hours. They do all the support for it. But at the end of the day it's my responsibility. I couldn't say there's anything wrong with Deloitte at all but they put some structure around it for us. They're trying to give us some direction and some structure and making sure we identify the key risks".

The CAE of U2, whose university has an outsourced risk management function, described the status of this process:

"The risk management position is under contract. They were here full time for a couple of years to implement the risk management strategy for the university. A risk management framework was established. There are the risk registers and the risk treatment plans which have been developed in the last couple of years. They are now an electronic system, automated system, every year responsible people are told to update their risk for their particular area. The risk manager ensures that this automated process is carried out annually and to date, there are improvements. I've prepared a report on – there are still weaknesses in there. But generally it's effective, and what I've seen is that in general, the critical risks that have been identified at the operational level have been adequately addressed".

Separate department within the university

Some Vice chancellors have used their influence to keep the risk management function managed by a separate department within the university. This approach is to some extent influenced by heads of specific departments who have successfully negotiated with their vice chancellors to take on the additional responsibility of implementing the process. These separate departments were reported to range from the finance and business office, the university's secretariat's office, and the planning office. The US of U2 justified it as part of the secretariat's responsibilities and provided a description of its structure and the service provided, thus providing another 'frame' in which risk management is managed operationally. They seem to take it quite seriously with an external expert sitting on the committee as an assessor:

"...I think risk management is very much part of the secretariat's responsibilities. We have a risk assessment and management policy as a part of the handbook. And we have a risk manager. We've designed and implemented a web based risk recording process which links the various risks to various areas of the university. We have a risk management committee of senate, which is separate from the audit committee because we take the view that risk is the responsibility of management and the executive takes responsibility for risk management. We have an external expert who joins the committee as an assessor to keep us on the straight and narrow. We have a process that we go through which reviews the top ten corporate risks. We manage those in terms of the normal process of how likely is the risk to occur, what are the consequences if it does occur, what are the mitigating controls and action plans that you need to put in place to manage and control that risk and what is the residual risk? Then we cascade that through all our operational plans. Each of the business units is required to identify the top five risks in its area and to present them in the same way. That's recorded in the risk register. Then once a year we look at our statutory obligations register. There are a hundred and sixty separate legal or statutory instruments with which we have to comply. Each of the managers responsible in that area have to sign off that we're compliant. We've been quite systematic as to how we go about managing corporate risk".

The CAE of U6 provided his justification on why risk management was to be within the planning office and not internal audit:

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"Risk management is part of the planning office. It's been part of the planning office for a number of years. It was something that I was keen to see occur. My view is it should never be with internal audit. If you look at standards for risk management, it all should be feeding into the business planning and budgetary processes. So... logically therefore it stays with the university planning office. They're the ones who coordinate the preparation in conjunction with the business divisions, the business plans. So they coordinate as part of that planning process the risk management aspects of that. We have been playing a reasonably hands-on role. So we haven't done a review. It's still maturing. It's one of those things where improvement can always take place".

Risk Management is not adequately managed/still relatively new

The other major theme emerging was that the risk management process is still not adequately implemented. Here the participants (actors normally responsible for driving the process operationally such as the VC and the CAE) indicated that in their universities, aspects of risk management were relatively new. The concept of conflict was still in progress and had not reached a stage where a firm outcome was reached as to the risk management process to be implemented. VC of U5 indicated that it was a new function to his university undertaken by the internal audit function and there were still questions being asked on its value and how it was to be addressed in a university setting. VC of U8 provided information that it is in a transitionary stage of having the function coordinated by the internal audit department. While the process was initiated a few years ago by a contract risk management position, consensus has been obtained among the main players that it will now be addressed through a newly appointed Director for Risk and Internal Audit. Here the participants in the conflict process have been influenced by other universities who have had their risk management function successfully coordinated by their CAEs. The position will oversee both the internal audit and risk function.

"...We've got a risk officer and we've got internal auditors as a separate function. I think we've just agreed that we are going to have someone sit above them who will be responsible for risk management as well as internal audit. I think the risk management person will be out there, and will be discussing within the university and in the framework of the risk management strategy, what are the most significant risks, and thus identify how we manage those risks"

Other respondents were of the view that risk management was not as yet effectively addressed in their respective universities. In this case, interviewees described the conflict process in line with Hargrave and Van de Ven's model as still in progress with no clear outcome as yet. Interviewees described the negotiation process between the facilitator (CAE), owners (departmental heads) and the driver (CEO) of the process as still taking place given that it is still a new innovative product to be implemented. The status of development of risk management practices in these cases was often referred to as underdeveloped, work in progress or room for improvement. VC's of U4 and U7 were of the view that it was underdeveloped as a process. VC of U4 stated:

"Well, that is really underdone in a formal way, and it is an example of where universities in my opinion, are probably behind the private sector in relation to risk management. So I think that from our point of view, we are slow in completing that process".

VC of U7 felt they needed to improve risk management, particularly its linkages with the strategic plan:

"The area that we need to beef up a bit more and we're doing right now is that the risk plan (the risk assessment) has to directly relate to strategy more than it is. I think that's a thing we haven't done well yet".

The views of vice chancellors were supported by the second tier management group. They provided examples of shortcomings in the risk management processes. The ED of U2 stated:

"...the biggest risk management I think is offshore international students which we haven't addressed yet. Some universities have been affected while other universities have been fortunate that they haven't really had the whistle blown on them as yet".

The CFO of U2 similarly while confirming its importance as a governance process, indicated that risk management in U2 was still being worked on. The CFO of U6 similarly also confirmed that it is a new process with a long way to go:

"I think that nobody would argue that, until recently, risk management has not really happened. I think it is something that the University has picked up on at the end of 2006 and has been working on subsequently in terms of developing a risk management plan and various local plans

around risk management. And certainly, some of them I am very wary how it has been developed. I think there is a way to go before it is in place, and before it is part of the culture. So I think there is a way to go on that. But it is certainly the direction that the university is heading into".

Two CAE's further supported the view that risk management was not undertaken satisfactorily and required further improvements. The CAE of U1 stated:

"Risk management hasn't been something that has been very important to the university, because perhaps the previous management didn't think it was important, because we're in an environment with lots of money; when things went wrong, we could fix them up easily. So there are issues like its sustainability that is going to be an issue. Funding sources are linked to that. There are other types of business risks that we haven't thought about managing before, quality of staff, availability of staff in a resources boom etc. So the governance framework has to be firmed up so that these sorts of things can be dealt with in a systematic way".

The CAE of U3 stated:

"We have a separate risk manager. He sits within the finance and business services unit. But his focus has been more around insurance than risk management. While the emphasis of managing risk is on the managers, we don't have is the tools for them to actually formally document... identify, document and monitor their risks".

Reasons for variances in development of risk management processes of universities

Respondents provided other reasons as to how the concept of conflict, power and political strategies as played out by the various identified actors influenced the outcomes. They asserted that each university is subject to a different management culture resulting from different levels of political strategies and tactics played out by the various identified actors. This different culture in turn had an impact on the risk management culture. The vice chancellors explained that the risk management culture was influenced by council in the first instance and hence its successful implementation depended very much on the character of university council members which varied with universities. This common sentiment of all participants is reflected through the comments of VC of U1:

"....I find with the development of risk practices in a university it's actually a very interesting conjunction with the corporate character of university boards and senates. There is a strong influence if the senate or council is composed of business people and they understand risk management."

A positive influence by council on risk management practices is normally reflected through the formation of an appropriate risk management committee as a sub committee of university council. Many universities had this function also linked with the audit committee. The committee was responsible for an oversight role on the operations of risk management undertaken through a number of means. This accountability structure is influenced by agency theory principles of governance (Berle and Means, 1932; Jensen and meckling, 1976) and pressure from the Commonwealth Government through its policies for a more corporate approach to management. In the absence of mandatory guidelines in this area, the results indicate that universities through the process of conflict, power and political strategies amongst its key actors were drawing on institutional theory characteristics to imitate various risk management practices of the corporate sector. The most popular of these means was delivering the risk management process through the internal audit function. This was followed by separately formed risk management departments that reported to a range of operational divisions. A minority had their risk management function outsourced.

Another reason provided for the different levels of development of the risk management process was the different levels of influencing forces universities were subjected to and to which the actors as important decision makers within the university system had to consider. Respondents explained that while Australian public universities were subject to common Commonwealth Government policy directions (such as an encouragement towards a corporate culture), they were also subject to a further set of common influencing forces which had different levels of impacts on the management and risk culture of universities.

One of these forces was described as being due to a university's geographical location. Australian public universities are incorporated in a State or Territory in which they are located and are consequently subject to local acts and regulations which differ between states. Some of these different local acts and regulations provide a different emphasis on financial management compliance regulations, council and management structures, council composition and governance

accountabilities. These different accountabilities at the State and Territory levels invariably have different levels of emphasis on the level of development and implementation of governance processes such as the risk management process. Specific requirements under each State or Territory financial regulations also stipulate how university funds can be used, invested or spent for operations. They also specify the borrowing capacity. These guidelines invariably impact on the level of risk that can be taken and the extent of their corporate risks. Universities are also accountable to a variety of stakeholders inclusive of the local community and industry and its risk taking activities have to take the interests of these extended stakeholders. These levels of influences are not consistent across the sector, hence they impact on council and/or the vice chancellor generating different forms of views during the conflict, power and political strategies stage as outlined in Hargrave and Van de Ven's model.

Another influencing force on the management culture of universities was described as the collegial managerialism and autonomy culture of academics. This culture was described as being in tension with the corporate culture universities are pursuing and consequently has had a negative impact on the development of corporate governance processes such as the risk management process. The degree of tension is described as being more prevalent in older universities and this scenario has an impact on acceptance and compliance of risk management practices at the operational level. They particularly impact on managers of units who are owners of the risk management process and many of these are academics. The CAE of Aus U3 commented on this common view by all three groups of staff members:

"All the academics that were around in the days of free education and the more open and less compliant environment see the shift to entrepreneurial control processes as counter to the basis principles of the university. The younger academics coming through are more receptive".

These tensions are supported by various studies. Parker (2011) refers to newer universities adopting corporate processes more easily that older universities which were accustomed to a more guild based collegial tradition of decision making and generally took longer to adapt to corporate processes. In essence, the needs of academics as important stakeholders of universities are recognized differently in a university's governance framework and consequently are addressed differently.

A further influencing force was described as the changing internal management culture of universities. University staff members were undergoing a change from a public sector culture to a corporate culture. The rate of change in internal management to cope with the changing culture differed between universities and consequently had also an impact on the development and implementation of governance processes. This includes the risk management culture. VC of U7 commented on this common sentiment that Australian universities with a public sector background were generally risk averse, and adopted management practices that were generally incompatible with an entrepreneurial culture and its associated governance control processes like risk management:

"I think if you were to do a risk rating on universities the prevailing culture is risk averse. The public sector background is one part of that where they haven't had a culture of generating whatever they need to do to continue to do what they do. It's been a world where it's just been there and we've just done it. There isn't generally speaking an organisational preponderance for entrepreneurialism, it's just not there. But there are some people in the university that are spectacularly entrepreneurial in their area and have great ideas and the university's superstructure doesn't cope well with them. So that's a tension".

The respondents were indicating that the professionalism of administrative staff to deal with corporate processes differed between universities. The needs to professionalize administrative staff, as employees and important stakeholders, were recognized differently by universities in their governance framework. Hence, adoption of risk management practices varied. Nagy and Robb (2008 p 1423) referred to the scenario of some Australian universities that lacked the required level of professionalism in its administration as being "littered with the debris of poor executive control in the climate of increased managerial and entrepreneurial activities".

A final influencing force was described as the different levels of global competition that impacted on the governance paradigms of universities. Interviewees indicated that universities reacted to global competition differently. An aspect of global competition was the heavy dependency on an extended stakeholder base through international activities. The level of stakeholders would increase to include offshore partners, students, researchers, governments, etc. The implications are that there is a wider stakeholder base as a result of globalization and their interests need to be recognized within the university's governance framework. Interviewees

explained that this dependence on a wider stakeholder base varied with universities and the associated risk and development of risk management practices also varied in line with this dependence. The CAE of Aus U1 explains this common sentiment that required certain universities which relied on international student fees income to develop appropriate risk management strategies to address the associated risk of losing that income:

"A quarter of our income comes from overseas students and these students are predominantly from two or three countries. There is considerable risk if we lose these markets due to change in government policies towards overseas students or due to the very heavy competition. There is an onus on management in this case to develop appropriate risk management strategies".

The lack of some universities not recognizing risks associated with embarking on international activities is reflected through closure of a campus at a cost of tens of million of dollars just months after its opening, poor management of a university's private corporation arm and losses made by universities in their attempts to nurture partnerships overseas (Nagy and Robb, 2008).

The implications of not recognizing risk associated with a wider stakeholder base attributable to the different wider influencing forces is that universities are not recognizing them within their governance framework and adapting control processes to appropriately address them. It is argued that this is due to universities concentrating on the government as its main stakeholder and principal under an agency oriented governance framework. Other stakeholders resulting from these wider influencing forces, their interest and the risk of activities associated them, were not recognized and addressed through the university's governance framework on a consistent basis. Hence the different levels of development and implementation of risk management processes.

Discussion and conclusion

This study critically examined the implementation of risk management in the Australian public university sector by applying Hargrave and Van de Ven's collective action model of institutional innovation. The study identified actors external and internal to the university system that on embarking through a process of conflict, powers and political strategies amongst them, resulted in various frames of risk management implemented at the operational level.

Amidst this various frames of delivery of risk management practices, a major theme was that respondents perceived their risk management practices as being satisfactory. The perception of satisfactory risk management practices were supported by a description of a risk culture that was initiated by the top hierarchy through a council appointed audit and/or risk management committee which had an oversight role of risk management. At the operational level, the analysis of the interviewees indicated different platforms. Some indicated that risk management was managed or coordinated through their respective internal audit functions, while other indicated that it was outsourced or managed by a separate dedicated risk management function under a range of divisions such as the university secretariat, planning office and finance office. The common processes described as in place at the operational level included development and implementation of risk management operational policies, risk management frameworks, coordination of compliance with such frameworks and periodic reporting of identified risks and management of such risks to the respective oversight committees. Such a frame of delivery was influenced by existing standards in risk management (example ISO 31000).

A second consistent theme emerging from the three groups of staff members was that some universities still did not have adequate risk management practices in place. A common reason for this was they were still underdeveloped. Here, it was suggested that the identified actors who have gone through a process of conflict, powers and political strategies in line with Hargraves and Van de Ven;s model, had still not reached an acceptable consensus, or the accepted consensus was still considered by the actors as 'work in progress'.

A third theme was that irrespective of whether they were appropriately developed or not, risk management practices were in various stages of development and implementation across the sector. Some had reached a sophisticated level of integrating risk management with the strategic planning and budgeting processes; some were still in the work in progress stage and some did not have any risk management process in place at all. These different outcomes resulting from the conflict, power and political strategies played out by the actors was described as also due to a wider set of influencing forces that impacted on the governance paradigms of each university and invariably on the actors identified in this study. These being the government, council, vice chancellors, chief audit executives, heads of certain departments that have taken on the risk management function and owners of the risk management process. These influences were described as being due to; local acts and related regulations which varied among States and

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Territories; different levels of tension between a university's collegial and autonomous management practices and the practices of a corporate culture; different levels of tension between the inherited public sector management culture and its corporate culture; different approaches to managing risk under the impact of global competition under a risk averse public sector culture and the risk taking culture of entrepreneurial managerialism. It is argued that these influences are linked to a wider stakeholder base whose contractual obligations are not fully recognized within an agency oriented governance framework (Aguilera, et al., 2008; Filatotchev, 2008; Christopher, 2010). As a consequence appropriate governance control mechanisms and processes such as risk management are not fully developed and implemented in certain universities to address them.

In summary the findings of the study confirms the theoretical propositions of Hargraves and Van de Ven's model and illustrates how various actors in the university sector frame issues, mobilize collective actions, and engage in contested processes in order to achieve different outcomes in the implementation of risk management. The study has provided insights of a further dimension of causes for these different levels of development and implementation of risk management practices, this being the impact of an organization's wider influencing forces on the governance paradigm and consequently the various drivers and owners of the process. This observation leads to the following theoretical proposition to be further tested: universities need to take into account an organization's wider influencing forces in developing its governance framework and address them to minimize tensions or conflicts in developing and implementing its governance processes.

This study has made incremental contributions to the university governance and risk management literature, and specifically towards understanding how risk management is implemented in the Australian public university sector.

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Figure 1 : A Collective Action Model of Institutional Change

Drivers of Institutional Change / Innovation

> Conflict
>
> +
>
> Power
>
> +
>
> Political strategies and tactics

The Institutional Change / Innovation Process itself is characterized by

> Framing contest
>
> Construction of networks
>
> Collective action

Table 1: Overview of Universities and Interviewees

	University Groupings					Interviewees				
	Group of 8 (sandstone universities)	ATN (Australian Technological universities)	IRU (Innovative Research Universities)	NGU (New Generation Universities)		VC/DVC's (Vice Chancellors/ Deputy Vice chancellors	Univ. Sec (University Secretaries)	CFO (Chief Financial Officers)	Ex Dean (Executive Deans of Divisions)	CAE's (Chief Audit Executives)
U1				X		1				
U2			X			1				
U3	X						1			1
U4		X								1
U5				X		1		1	1	1
U6			X				1	1	1	
U7	X									1
U8		X								1
U9	X									1
U10			X					1		1
U11		X				1		1		
U12	X					1	1			1
U13	X					1				1
U14				X		1		1		1
U15		X				1		1	1	1
U16			X			1	1		1	
Total interviewees Phase 1: 23						9	4	6	4	
Total Interviewees Phase 2: 12										12