



Making sense of change in university governance

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Abstract

The University is currently involved in changes that might affect its institutional identity. At stake are the University's purpose, organization and governance system, financial basis, work processes, and role in society. This paper proposes a perspective for understanding these transformations. The aim is to contribute to an improved comprehension of factors influencing the development of University organization and governance. The paper argues for seeing changes in University governance as part of larger transformations in the relationship between society's institutions, where radical change of one institution is linked to changes in inter-institutional relationships, i.e. institutional collisions. The University as a distinct institutional sphere has through history collided with other institutional spheres. Current changes reflect the challenge of the market and a perspective that sees the University as an economic enterprise. The challenge also comes from government, as the University is seen as a tool for achieving government purposes. In practice, current shifts in formal legal autonomy of the University, in funding regimes, and governance instruments are not unidirectional. They represent partly overlapping, partly contrasting tendencies: the abdication of government to market and the repositioning of government through public sector reforms. There has been convergence in reform rhetoric, but less so in actual reforms, and impacts on core activities of the University are varied and uncertain.

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University organization and performance¹

The University is currently involved in changes that might transform its institutional identity. At stake are the University's purpose, organization and governance system, financial basis, work processes, and role in society. It is suggested that the time of the self-governing Republic of the Learned has passed. There are changes in the autonomy of the University and the freedom of individual faculty members, its collegial and disciplinary organization, the unity of research and teaching, who controls specific bodies of knowledge, who defines criteria of excellence and social needs, the structure of departments and degree programs, the relations between those who do research and teach and leaders, and in governments' funding commitments.

Demands for reform are based on a claimed performance crisis which holds that the University is not responsive to societal needs and does not guarantee academic excellence. It is an increasing burden on public budgets and there is a lack of flexibility and leadership. At the same time many perceived problems have roots in the University's success. The University has never before attracted more students and resources or been asked to take on more tasks. Expectations are also high. The University has knowledge and skills that can serve a multitude of purposes if it gets rid of its outdated structures.

It is legitimate to question the validity of diagnosing general trends in higher education, a sector populated by a heterogeneous set of organizations and with huge variations between and within national systems. The ambition of this paper, nevertheless, is to suggest a way of thinking about such issues. The aim is to contribute to an improved understanding of factors influencing the development of University organization and governance and to explore what consequences variations in organization and governance have for performance, in particular for academic core activities, research and teaching.

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Universities are governed both from within and from without and comprehension of institutional level governance requires an understanding of how universities are related to their environments and how these environments change. Reforms in higher education have not been driven by sector specific processes and performance alone. The rethinking and reorganizing of the University over the last 20-30 years have been part of a larger transformation of the relationships among society's institutions where the trust in markets and corporate governance has increased and the market logic and vocabulary have invaded other institutional spheres. Many issues have also been common in reforms across policy sectors.

Institutional collisions

The development of the University as a specialized institution dedicated to academic purposes and principles was part of the large-scale transformation from pre-modern to modern society. Institutional differentiation created interdependent but partly autonomous spheres of thought and action based on different normative and organizational principles, worldviews, resources and dynamics (politics, the economy, religion, science, art). In certain periods institutional spheres have been in balance, while in transformative points in history, institutions have collided.

Contemporary societies also face collisions, and radical transformation of one institution is usually linked to change in inter-institutional relationships. Institutional imperialism with attempts to control other spheres may threaten to destroy an institution's distinctiveness. There is, however, also institutional defense against invasion of alien norms. Institutions take time to root and are difficult to change rapidly and radically. Nevertheless, a possible outcome of collisions is the fall and rise of institutions.

Possibly, the University now faces a transformative period. Then, there is a fundamental distinction between seeing the University as an *institution* or as an *instrument*. An instrumental perspective portrays the University as an

organizational tool for efficient implementation of predetermined preferences whereby change reflects a continuous calculation of relative benefits and costs. An institutional perspective portrays the University as an enduring collection of constitutive rules, embedded in structures of meaning and resources. Within this perspective, rules prescribe appropriate behavior for specific actors in specific situations. Meaning-structures explain and justify behavioral codes and give direction to behavior. Resource-structures empower actors and make them more or less capable of acting according to prescriptive rules.

The University as a meritocratic community of scholars is an old institution. The University's corporate identity and integrating self-understanding are founded on commitment to scholarship and learning and search for the truth, irrespective of immediate utility and applicability, political convenience or economic benefit, and whether ideas are controversial or unpopular. The University is supposed to serve society as a whole, not specific "stakeholders" or those able and willing to pay. Those belonging to the University are the guardians of its constitutive principles. The system evolves through the development of knowledge and slow reinterpretation of institutional identity. Autonomy from government and powerful social groups is justified by the assumption that a loss of intellectual freedom will damage society's knowledge base.

Do reformers enforce these ideals, or do they impose alternative values and principles, typical for other institutional spheres upon the University? During the 1960s the University was challenged by visions typical for representative democracy. Reforms were boosted by student revolts, democratic developments in society at large, and a normative climate of anti-capitalism, anti-imperialism and demands for social justice. In contrast, recent reforms have taken place in a normative climate dominated by ideals from neo-classical economics and private enterprises. There have, however, been two partly overlapping, partly contrasting tendencies: The *abdication* of government to the market and the *repositioning* of government through public sector reform.

Within the *first* perspective the University is an economic enterprise operating in competitive markets. Research and higher education are commodities. Competition and achieving individual gains are key processes. Students, faculty, donors and communities select from alternative universities in terms of how well they meet individual preferences. The University provides any research and teaching that can be sold for profit, and quantity, quality and price are determined in markets. Change is governed by sovereign consumers, competitive selection and the survival of the fittest.

Portraying higher education as a globalized service industry subordinated to commercial demands for profit has been strongest where higher education has indeed become an important export industry and a promising market. Then, in order to navigate successfully in a commercial world, universities have to emphasize return on investment to shareholders and operate in a business-like fashion with small boards, recruitment of financial and commercial expertise, strong professional management, and leaders as market entrepreneurs. The University needs freedom from political authorities and internal stakeholders and continuous organizational restructuring in order to adapt to changing circumstances.

Within the *second* perspective the University is a tool for achieving government purposes and it is assessed in terms of effectiveness and efficiency. Change is governed by shifting government priorities or the relative efficiency of available organizational tools. Recently, the two perspectives have seemingly been in harmony rather than colliding. Government and the public sector have been claimed to need radical reform and the New Public Management represents a primacy-of-economics-view with an emphasis upon costs, efficiency and management with market-like mechanisms.

Higher education have come to occupy a more central place on the political agenda as an instrument for achieving wealth and economic competitiveness in “the knowledge economy”. There is, however, little evidence that governments have been ready to leave higher education in the hands of

market forces. European-level reforms aimed at developing a *European Higher Education Area* and a *European Research Area* have been interpreted as creating a common market for research and education as part of European market building. Nevertheless, ambitions of cooperation and policy coordination and the creation of a European Research Council have also been interpreted as government repositioning rather than abdication.

A shifting power balance?

How much change has there actually been in university organization and governance? Have there been major shifts in how authority and power over and within the University are allocated and exercised and if so, in what direction and with what effects upon the core activities of universities? Have academic autonomy and individual freedom been strengthened? Have market forces become dominant? Has government repositioned itself?

A review of the evidence is beyond this paper. However, a preliminary conclusion is that the University's identity has been challenged by governments and market forces. There has been convergence in reform rhetoric, less so in actual reforms, and impacts on core activities are even more varied and uncertain. Recent developments cannot be adequately captured by a unidirectional trend from state control to University self-regulation. Neither is government control replaced by market control. Core decisions such as systemic structure and the main frame of study programs are still in the hands of governments. Governments influence definitions of the University and funding is still primarily in public hands in many countries.

Since many universities have achieved more formal-legal freedom to organize and govern themselves, one could conclude that academia, market and government are not on a collision course. The development is consistent with market models and with public sector reforms giving more autonomy from government as part of a trend from an interventionist to a regulatory state. The

development is, of course, also consistent with the University as an autonomous institution.

However, in many cases increased formal-legal autonomy has not implied reduced government control, just governance by other means. Governments have granted universities more formal autonomy but have become more demanding as to what universities are expected to accomplish. Tasks and decisions have been moved out of the immediate control of the University. Collegial governance and individual autonomy have come under pressure.

Definitional power is illustrated when governments confine the title on organizations that do not meet traditional defining characteristics of a University and thereby reinterpret what the university is, can be and should be. Management of meaning also includes defining criteria for success, the kinds and quality of “services” to be produced, and for whom.

As governments have become more output oriented and have demanded measurable results and accountability, there has been a monitoring and audit explosion. There have also been multiplications of standard producers and accreditation agencies. These efforts provide information that help accountability and empower governments and managers. In addition they provide market-information. The expansion of standardization as a (soft) style of regulation also illustrates that it has become more difficult for any single actor to dictate solutions.

Funding-regimes vary considerably within the OECD area (Education at a Glance, OECD 2004). In the USA and Australia public funding is below 50% with marketization implying an increased involvement of universities in generating commercial revenue. In contrast, the overall level of public funding for European universities is still above 65%. From the early 1980s towards the end of the 1990s industry’s share of R&D expenditure in the higher education sector increased in Europe. Yet within the OECD area public sources fund the greater part of R&D in universities in most systems. Moreover, there has been a significant reduction of basic appropriations and an increase in competition-

exposed public funding and strategic initiatives. In Europe the relative share of the basic appropriation in R&D expenditure dropped from 68% in 1983 to around 57% in 1995 and one interpretation is that market-like mechanisms are an instrument of public steering filling the governance gap produced by framework laws.

Outside the European region, public R&D spending has intensified since the early 1990s. Several Asian countries, most notably South Korea and China, have expanded their support for R&D considerably. In Latin America and the Pacific region, other non-OECD countries also have attempted to increase R&D investments substantially during the past several years. Even with recent gains, however, most non-OECD countries invest a smaller share of their economic output in R&D than do OECD members (with the exception of Israel). All Latin American countries for which data are available report R&D/GDP ratios below 1 percent (NSF 2004).

Has power and performance within the University been affected? A claim has been “Stronger Leadership for Tougher Times” (US Association of Governing Boards of Universities and Colleges 1996). Collegial and disciplinary organization and individual autonomy are then viewed as hindrances to coordinated and timely decisions and good performance. The main tendency has been consistent with such claims. There has been more external representation, “stakeholders” and public-private “partnerships”; unified structures, appointed academic leaders and strengthened executive; and growth, professionalization and bureaucratization of the University administration.

There is, nevertheless, an important difference between being able to change formal organization and achieve desired outcomes. Often effects upon core activities are presumed rather than documented. Yet, academic success is reconcilable with a variety of organizational forms and funding schemes and the contribution of governance structure to academic success is uncertain. There is also little hard evidence showing that New Public Management has contributed to academic success.

The impacts of formal structures are modified by many factors. There are, for example, tensions between formal and informal leadership and variations in the kinds of leaders and external representatives recruited, their expertise, experience, role-conceptions, and commitment to higher education.

Recipes for modernizing the University have come and gone. The implementation of the vision of the University as a representative democracy has been complicated because key ideas were never fully reconciled with the commitment to intellectual excellence: that the distribution of authority should be in rough conformity with competence and expertise. Neither were the ideas easily reconciled with the observation that faculty historically has shown little enthusiasm for using participatory rights.

Likewise, the effects of current institutional collisions are uncertain. Environments push and pull universities in different directions. There are pressures for world competitiveness requiring universities to give priority to academic excellence. There are also pressures to meet the demand for ordinary competence in labor markets, requiring universities to give priority to vocational training and skill-based education.

These dynamics raise questions about the University's future internal order and place in the larger societal order: What kind of University for what kind of society? The direction, speed and manner of change will be affected by external pressures, but also by how strong the University is as an institution. What the University is and is for, and concepts such as "institutional autonomy" and "individual freedom" have evolved, and will evolve, in the interfaces between the academic community, public authorities and society at large, including the power relations typical for those interfaces. Increased competition creates winners and losers and specialization and stratification between and within universities is more likely than convergence. Universities, and parts of a single university, will place themselves differently on a continuum Research Academy (exploring new knowledge) and School (transmitting established knowledge).

Assumptions to be examined

Three interpretative frames have been central in the debate about change in University organization and governance and the implications for academic performance. Each frame involves unexamined assumptions about university governance and which reforms will improve performance. There is limited evidence and remaining questions: Which factors generate high quality research and education? How much variation in performance can be attributed to differences in organizational structures and governance systems? What organized settings encourage academic excellence and make the University socially relevant?

An environmental determinism frame assumes that University dynamics are driven by changes in external environments. Universities either adapt or they become irrelevant and disappear due to competitive selection. In higher education there is, however, a remarkable diversity in forms of organization and governance, also among high-performing institutions. Environments allow things to be done in more than one way. Under what conditions is it then possible to develop and maintain markets within higher education that are efficient enough to drive out bad performers and reward excellence?

A strategic choice frame assumes that history is neither deterministic nor random. University dynamics result from the rational choices of identifiable actors calculating the expected value of alternative developments for their pre-determined preferences. Under what conditions, then, do actors have the will, understanding and control needed to deliberately change the University and achieve desired effects? Is academic quality likely to have priority?

An institutional autonomy framework emphasizes University self-dynamics and decentralized learning and adaptation. What capacity does the University have for learning and self-adjustment? Does decentralization make it difficult for the University to act coherently and move in a consistent direction? Under what conditions are faculty, other employees and students likely to be guardians of academic autonomy, freedom and excellence?

Answers are far from obvious and the challenge is to specify the scope conditions of each frame of interpretation. The contemporary tendency is to overestimate the relevance of the two first frames and underestimate the importance of the third. The belief in the self-regulatory capabilities of markets and the efficiency of strategic action stands in contrast to the belief that the University is unwilling or unable to change. This view is curious, given that universities are overrepresented among the longest-living formal organizations in the world and that they therefore have documented their ability to survive under shifting circumstances. The rigidity-claim is also surprising given the unprecedented growth and change that have taken place in universities over the last half century.