

Potentials and Effects of Strategic Decisions in University Governance

Guest Lecture within the Framework of the Course
„Advanced Topics in Strategy and Organization I:
Governance and Risk in Strategic Decisions“
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Outline

1. Central Questions
2. Characteristics of University Governance in Germany today
3. Requirements and Limiting Factors of Strategy Making in University Governance
 - a) The concept of (political) strategy making
 - b) Universities as extraordinary organizations
4. Strategy Making of the State
 - a) Challenges and Risks
 - b) Target Agreements and Performance Based Funding
 - c) Effects
5. Strategy Making of Universities
 - a) Challenges and Risks
 - b) Developing University Profiles and Individual Pay for Performance
 - c) Effects
6. Conclusions

Relevant Framework Conditions

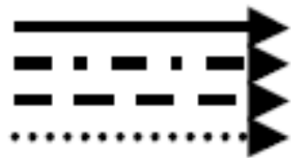
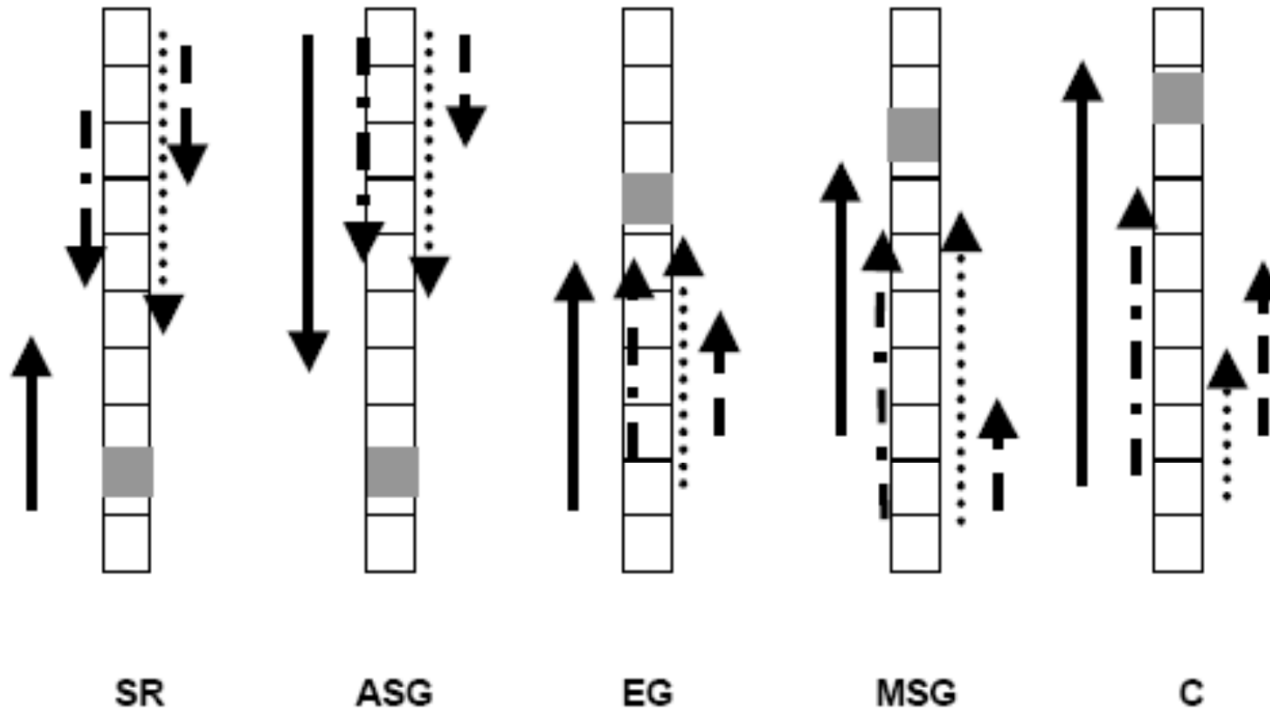
- Knowledge Society
- Demographic Development
- Internationalization, Mobility, Flexibility
- Lifelong Learning
- Increasing heterogeneity of students (migrants, students from non-academic families, elder students, participants of continuing education)

Central Questions

- What are the main characteristics of university governance in Germany today?
- What are the requirements and limiting factors of strategy making in university governance?
- What are the main methods and instruments of strategic steering by the state? How is performance measured, and what are the effects?
- What are the main methods and instruments and of strategic steering within universities? How is performance measured, and what are the effects?

The Governance Equalizer Model

(de Boer/Enders/Schimank 2007)



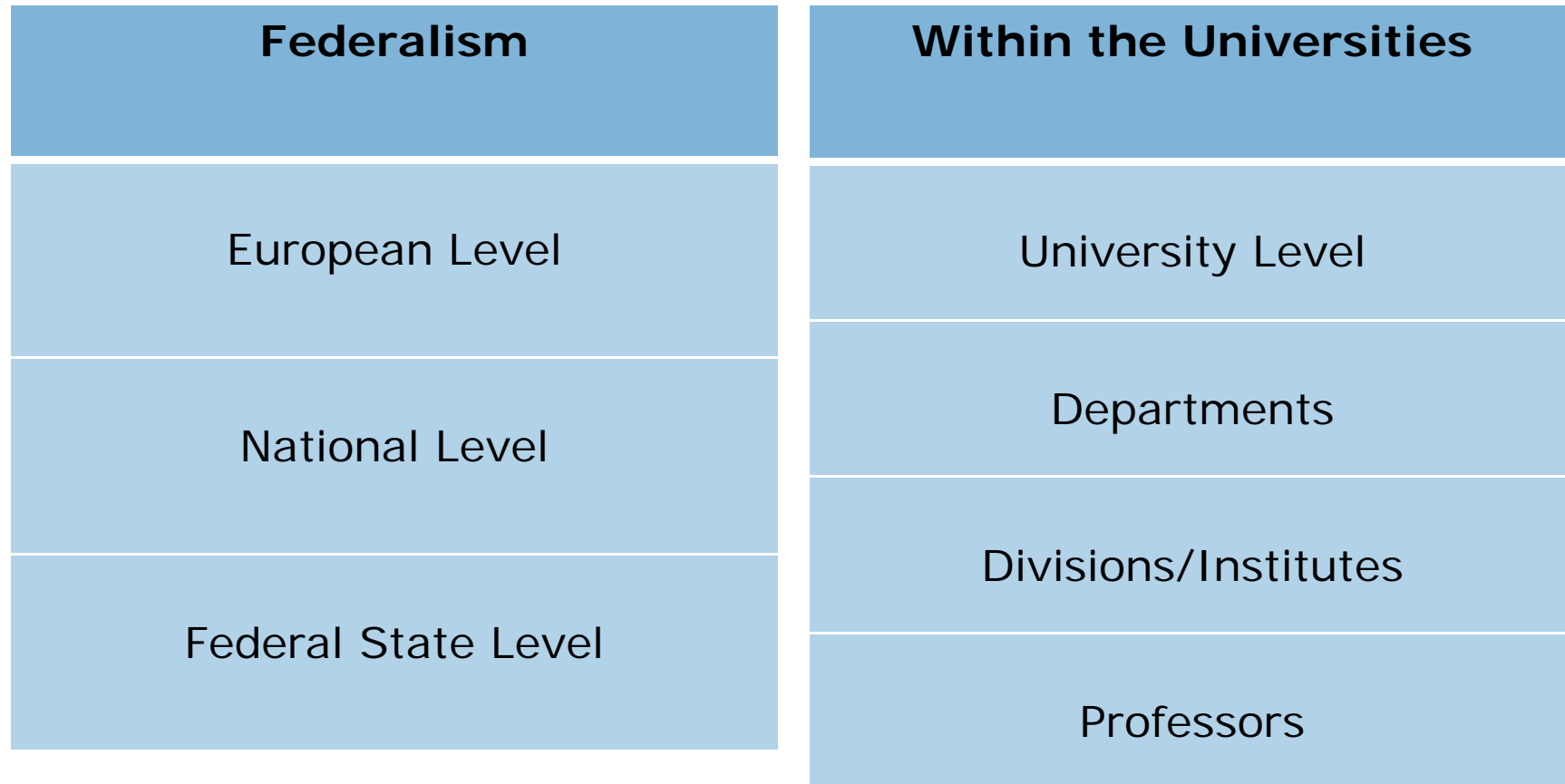
England
The Netherlands
Germany
Austria

SR = state regulation
ASG = academic self-governance
EG = external guidance
MSG = managerial self-governance
C = competition

Characteristics of University Governance in Germany today

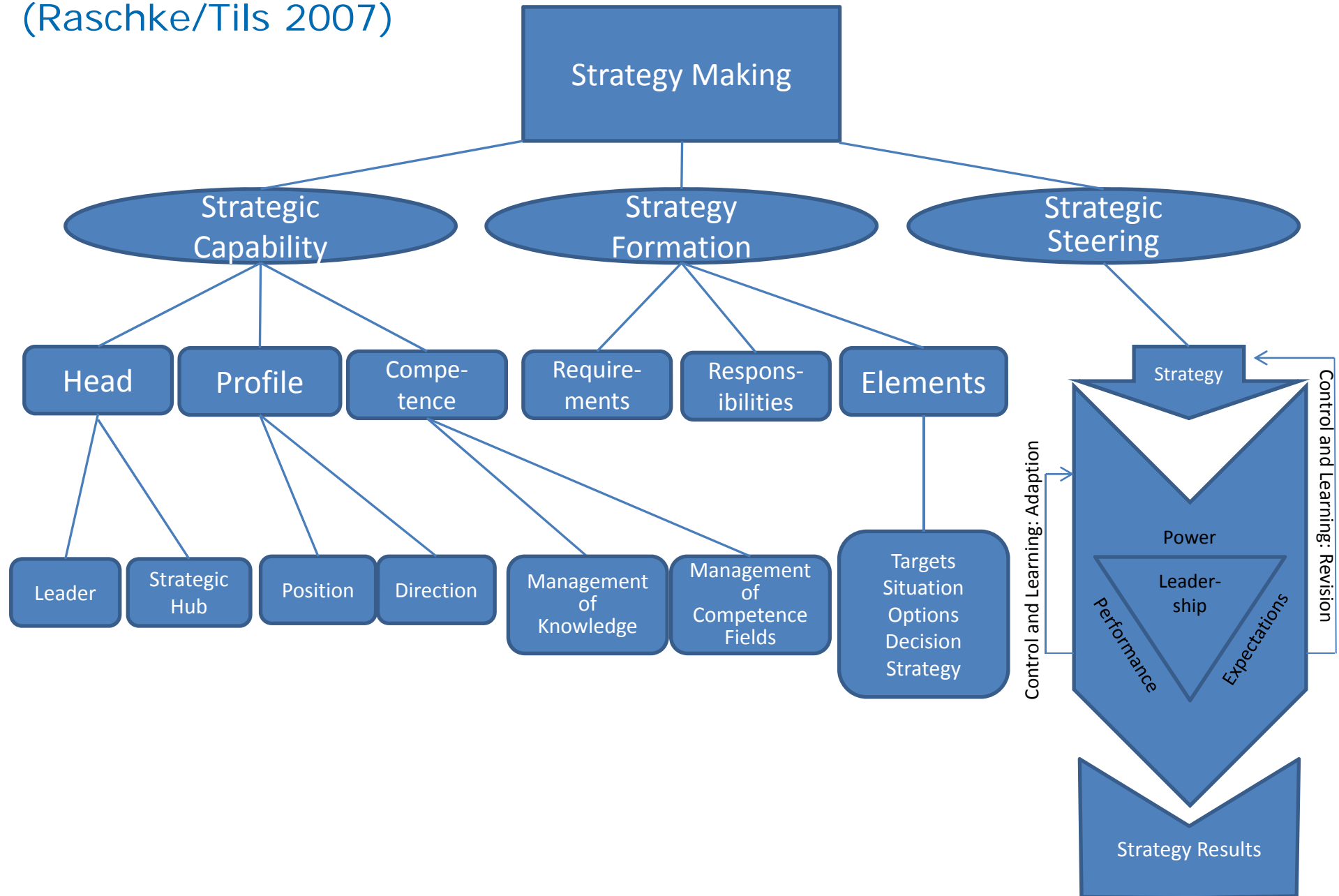
- Traditional ways of university steering (state regulation, academic self-governance) have lost relevance, whereas external guidance, managerial self-governance and competition have become more important
- Plurality of actors involved in governance constellations
- „New Public Management“ of universities
 - No detailed steering
 - Definition of targets
 - Offer of incentives
 - Autonomy of universities to decide on procedures and activities taken to achieve the targets
 - Performance Measurement and output control, gratifications and sanctions

Levels of Strategy Making



Political Strategy Making

(Raschke/Tils 2007)



Universities as Extraordinary Organizations

- Expert Organizations (Mintzberg 1979, 1983), Loosely Coupled Systems (Weick 1976), Principal Agent Problems
 - High autonomy of professors, no hierarchical command structure, veto positions
 - The orientation of researchers towards their scientific communities is usually much stronger than their sense of responsibility towards their institution
 - Changes in one part of the organization needn't affect others
- Garbage Can Decision Making (Cohen et al. 1972)
 - Universities as organized anarchies: problematic preferences, unclear technologies, fluid participation
 - Decision making under goal ambiguity
 - Participants dump problems and solutions together comparably to the situation in a garbage can; choices often do not solve problems
 - Matching of problems, choices, and decision makers is partly controlled by attributes of content relevance, and competence, but also by attributes of timing, the particular combinations of current garbage cans, and the overall load of the system

Strategy Making in University Governance

- Strategy making is appropriate, if not even necessary, in the framework of NPM in order to define realistic targets.
- But strategy making is very complex and demanding:
 - Develop strategic capacity
 - Formulate strategies that correspond to the challenges and problems in a given situation
 - Implement strategies, possibly against the resistance of other players
- This is especially true for university governance, because universities can be characterized as loosely-coupled.
- Hence, strategy making cannot guarantee success, it only increases the probability of successful actions at best.

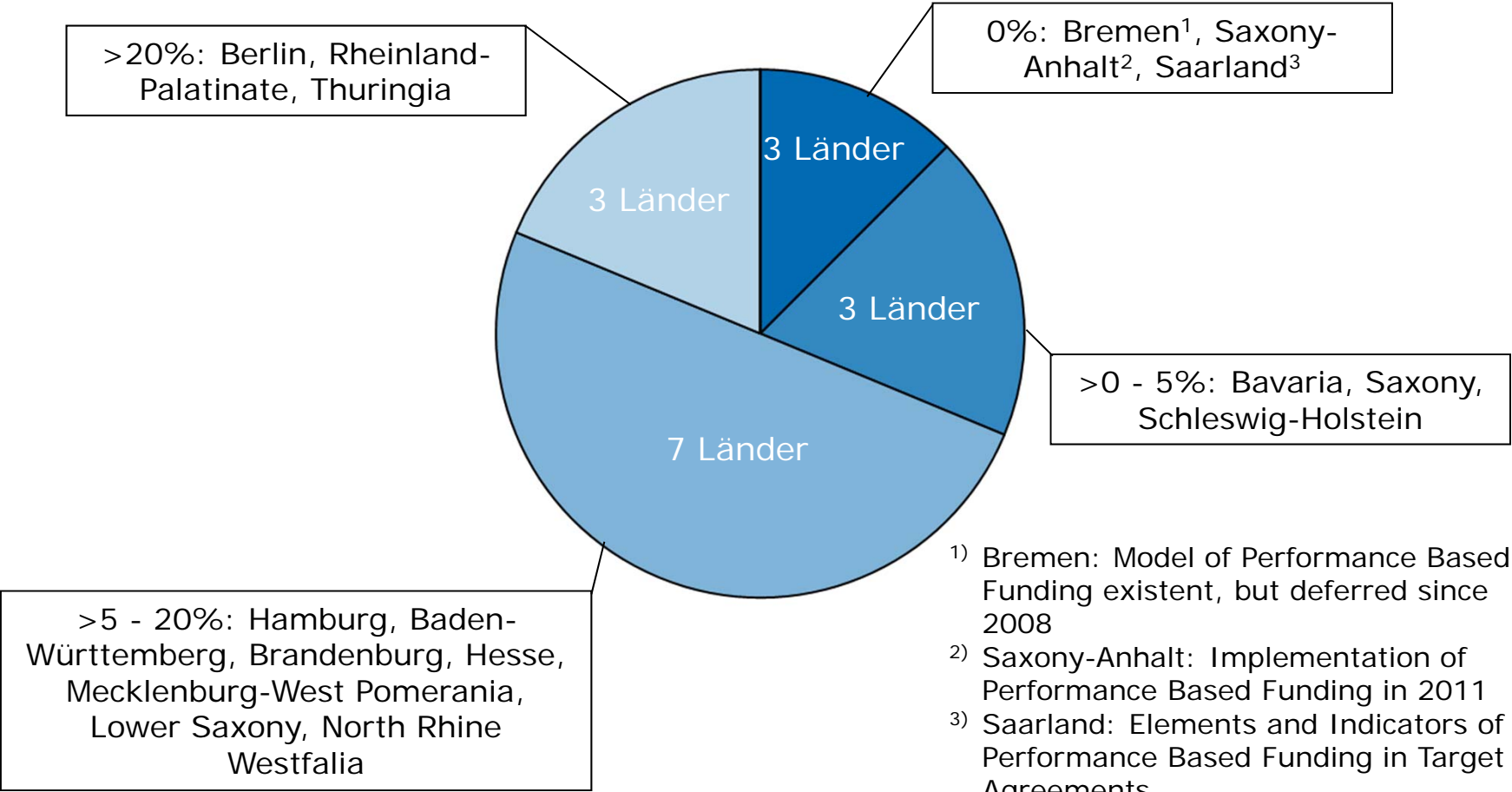
Strategy Making of the State I

- Challenges and Risks
 - Characteristics of the German political system complicate strategy making: party pluralism, coalition government, federalism, permanence of election campaigns, veto players, strong lobbyism, path dependencies...
 - If strategy making is not successful: loss of influence, lost opportunities to mold the political field, increased risks of undesirable developments and inefficiencies, failure might be a disadvantage for the next elections
- Target Agreements and Performance Based Funding as central instruments of university steering in the German Länder

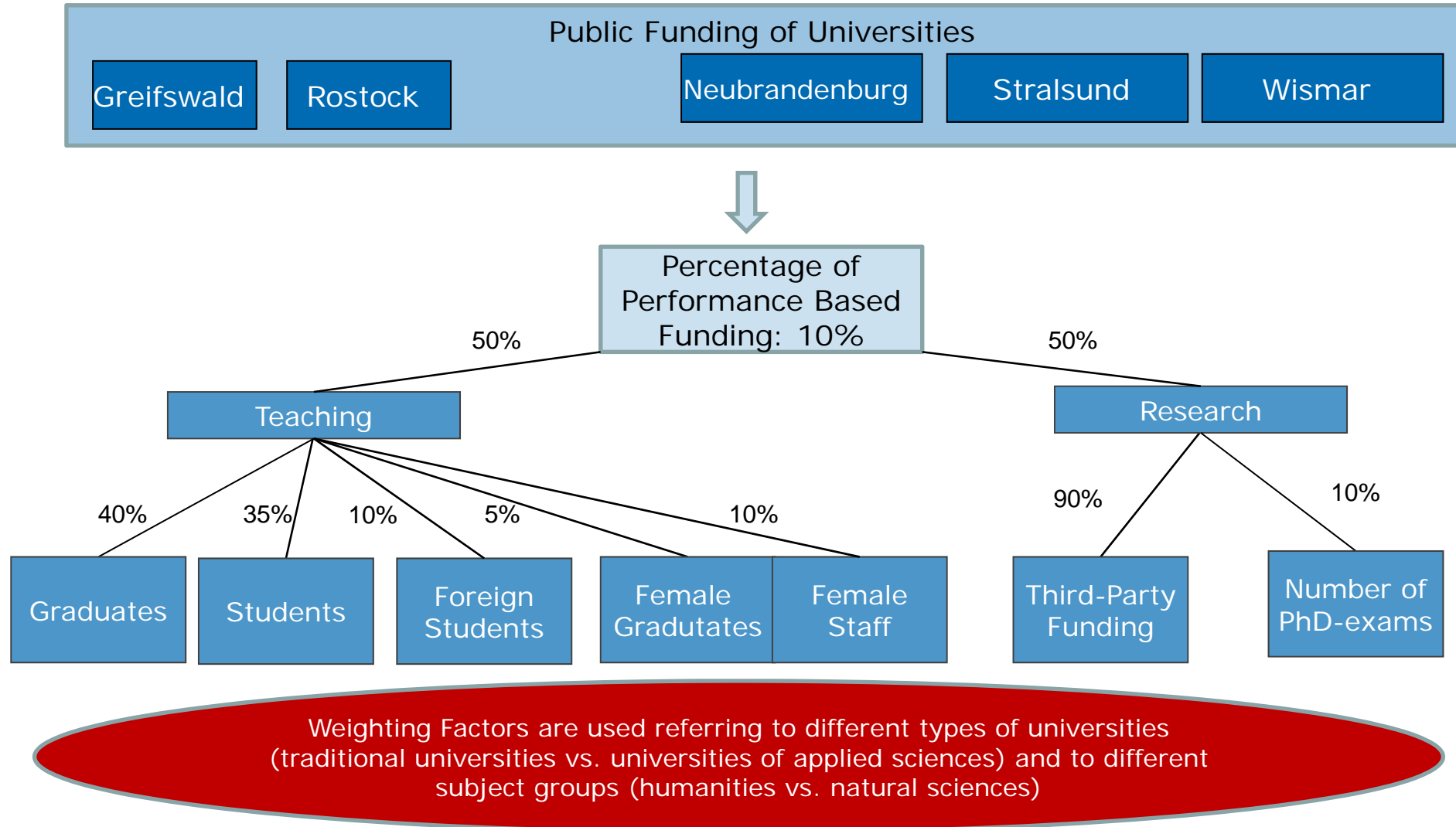
Strategy Making of the State II

	Target Agreements	Performance Based Funding
Targets	<p>General targets of the development planning of the state and individual targets of the university</p> <p>Usually many fields of activity are mentioned (teaching, research, internationalization, diversity management, continuing education...)</p>	<p>Only a few targets (more or less) equally applied to all universities</p>
Mode	<p>Negotiation, but also hierarchy of the state</p>	<p>Steering by the state</p> <p>Sometimes indicators are negotiated</p>
Performance Indicators	<p>Often no indicators, but definition of initiatives and measurements to be taken</p> <p>Improved transparency and legitimization of university budgets</p> <p>Weak connections between degrees of target achievement and the amount of money awarded</p>	<p>Students, Graduates, Females, Foreigners</p> <p>Third-Party Funding, PhD exams, Publications, (Citations, Patents, Awards)</p>

Overview: Percentage of Performance Based Funding in Public University Funding 2010



Example: Mecklenburg-West Pomerania 2010



Strategy Making of the State: Effects

- Target Agreements:
 - Influence on university autonomy, especially through non-monetary incentives and rewards
 - Effective because of the university's own commitment and public declaration
 - Influence on the choice of targets and within negotiations can be motivating
 - Nevertheless single targets can easily be disregarded as monetary rewards and sanctions according to the degree of target achievement are low or non-existent
- Performance-Based Funding
 - (Limited) effectiveness because of incentives and fiscal relevance
 - Adjustment of actions according to indicators
 - Malfunctions (less support of students working for a doctorate because of their high number)
 - Frustration in cases of loss despite increased output

Strategy Making of Universities

- Challenges and Risks
 - Legal provisions and governmental strategies must be taken into account
 - Strategy Making in universities is foremost a challenge for communication and participation
 - If strategy making is not successful, this can be a disadvantage in competitions for students, researchers, third-party funds....
- Often target agreements and performance based funding are also applied inside the university; targets and indicators are then usually similar to those of the state model
- Universities must define processes to implement individual pay for performance
- In addition to that, they can try to develop a special university profile

Developing University Profiles

- Many duties of universities and fields of activity are given by law
- Developing a profile can mean to put a special emphasis on some activity areas or to define additional fields of activity
- Usually many groups are involved in the development of a mission statement (deans, professors, other staff, students) and the process takes long (hopefully higher degree of acceptance)
- Definition of ideals and aims, usually no indicators
- Mission statements are often very similar
- Their distinctive effect is quite low
- Challenges
 - to use the mission statements as a source of motivation and
 - to point out in what why activities and practices at the university are linked to the mission statement

Individual Pay for Performance

- 2002-2005: introduction of „W-Besoldung“ (lower basic salary, option of bonus payed for performance), first on national level, then on Länder-level
- Additional statutes and guidelines of universities
- Different models:
 - Different performance criteria
 - Different definition of performance levels and their link to payments
 - Advice and Decision: different roles of deans, commissions, external experts, heads of universities
- Typical performance criteria and indicators:
 - Number of student exams, results of evaluation, teaching awards, development of new teaching material, contribution to the development of study programmes...
 - Third-party funding, publications, patents, research cooperation, presentations at international conferences, reviewer activities...
 - PhD students

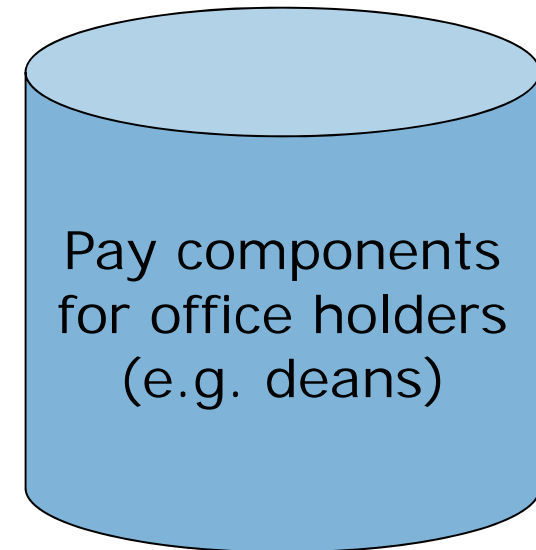
Types of performance-based pay components



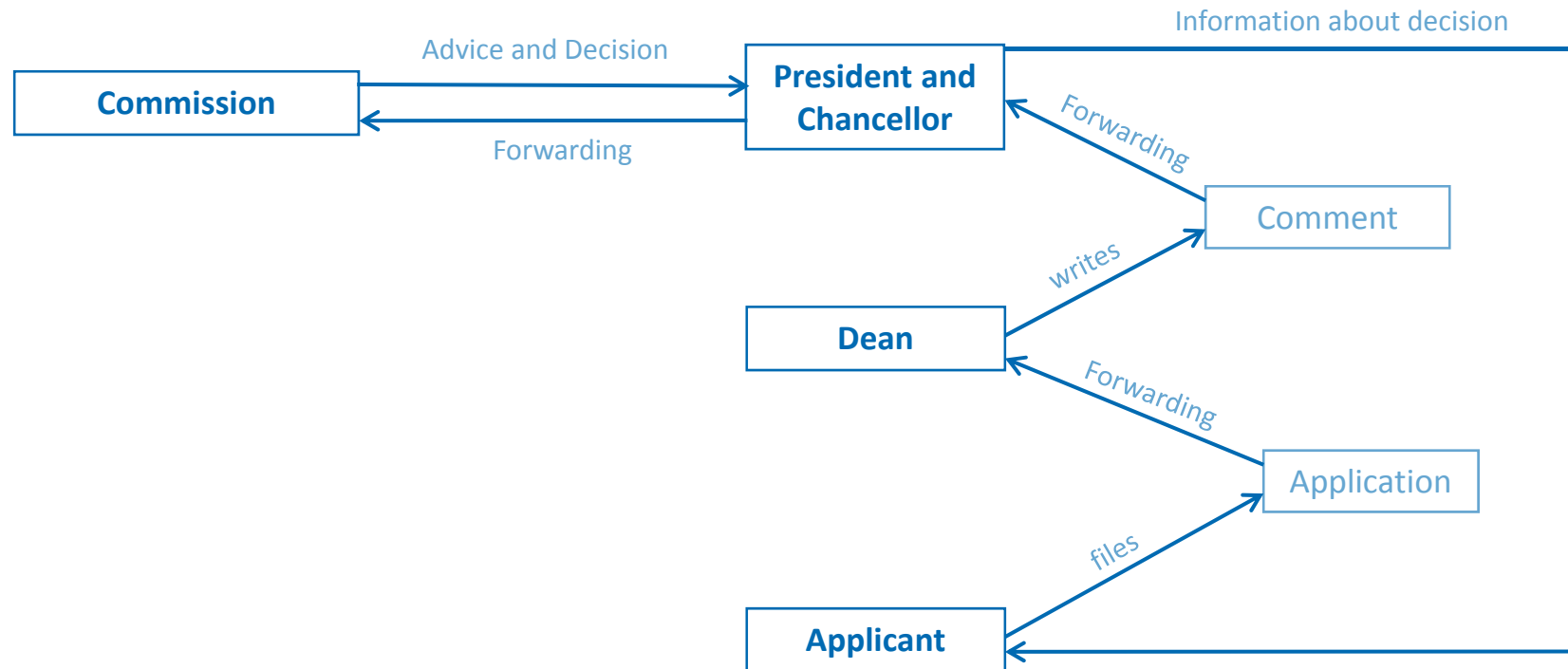
usually (intervals of) quota are defined



definite sums



Example: Process at the UdK Berlin 2010



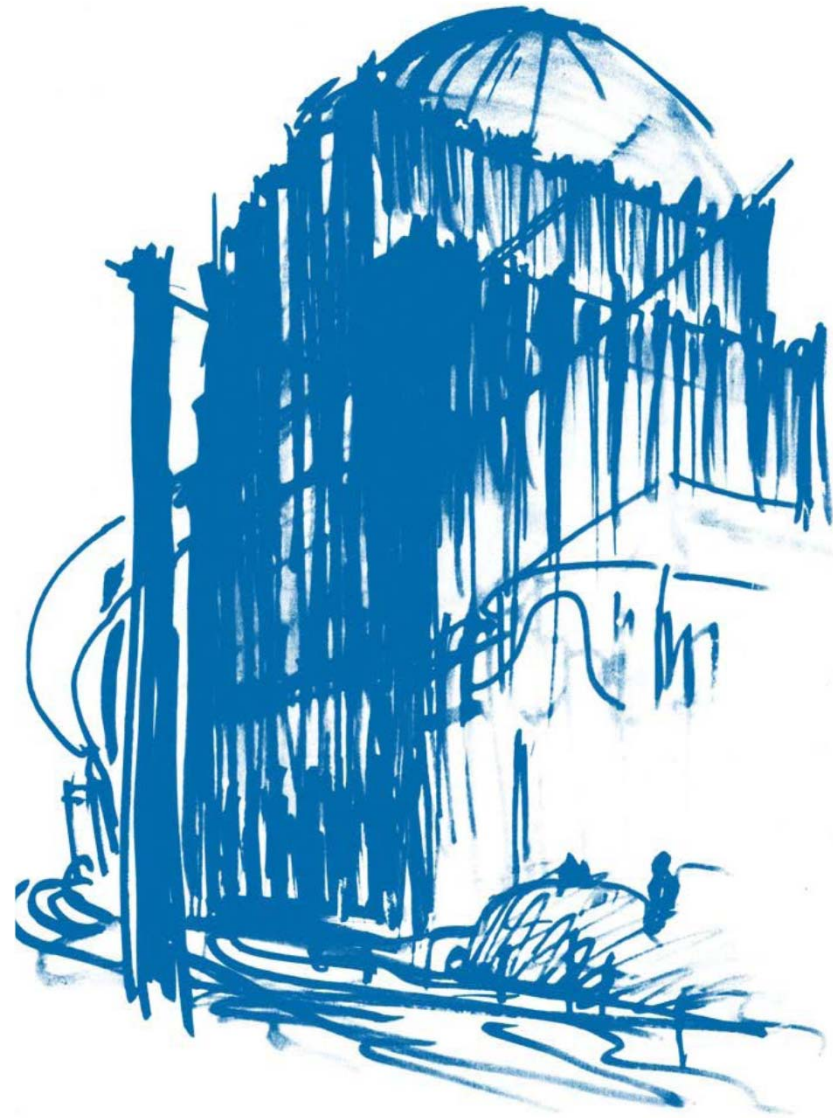
Individual Pay for Performance: Effects

- Many professors' salary remains lower than the former C-salary would have been
- Competition among professors
- Unsteadiness of salary
 - Flexibility and incentive (esp. in the perspective of the university)
 - Uncertainty and difficulties for future plans (esp. in the professors' perspective)
- Frustration if expectations are not met
- Adjustment of action according to the performance criteria and replacement of intrinsic motivation?

Conclusions

- Strategy Making is one success factor among others in policy making and university governance.
- It is not clear to what extent politicians, ministerial administrations and heads of universities succeed in systematic strategy making. Perhaps strategies are less conceptualized than evolved step by step.
- Targets: Multitude as a general problem
- Instruments:
 - Predominant similarities between the German Länder, differentiation is limited
 - Accuracy of fitting to a special university profile is often low
 - Indicators may sometimes not primarily be chosen according to the targets, but result from negotiations
 - Problems of operationalization and measurability lead to blind spots in performance measurement (e.g. innovativeness and creativity of research)
- Effects
 - Not sufficiently studied yet; difficulty to verify causalities
 - Some discussions about faulty instrument designs and dysfunctional effects
 - Limited effects because of low incentives
 - Organizational level: effects on the degree of the autonomy of universities
 - Individual level: effects on motivation and satisfaction poorly studied
- Further development in the future?

Thank you
very much
for your attention!



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