



# **Restructuring the Academic Environment**

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## Introduction

This essay addresses contemporary challenges facing managers of the higher education enterprise in a period of fiscal constraint with attendant demands for cost containment and accountability. These contemporary challenges, while dramatic in impact, are not unprecedented. Over the past fifty years, university planners have played a central role in campus adaptation to shifting environmental demands at a number of critical junctures. That environmental demands have often been a force shaping the structure and policy of higher education does not mean that those demands have been consistent or predictable. Contextual demands over the past fifty years have ranged from calls for a dramatic expansion of enrollments and sponsored research activities to mandated retrenchment and program consolidation. The approaches adopted by university planners have varied depending upon the nature of the demands. Familiar examples include managing enrollment shifts in the 1970s (Cheit, 1973), strategic planning for an uncertain resource environment in the 1980s (Hearn, 1988), and retrenchment initiatives in response to a changing economy in the 1990s (Hanson and Meyerson, 1990; Cole, 1993; Massy, 1993). Despite the range of contextual factors and demands, managerial imperatives for university adaptation have generally conveyed a sense of urgency, particularly in response to demands for limited growth or actual contraction. Contemporary initiatives designed to position higher education institutions for life after retrenchment represent the latest draw from a familiar array of initiatives that attempt to reallocate resources according to the most current administrative perceptions of political economic priorities.

This essay examines those planning deliberations that have most recently emerged under the name “academic restructuring.” Our focus is on research universities, although the restructuring initiatives we discuss are applicable to, and have powerful consequences for, each segment of the postsecondary system. We examine the literature and the proposals that address how universities should best respond to emerging challenges. In essence, observers argue that the current pace of environmental change, resource constraints, market demands, and technological developments present unprecedented challenges for research universities. The emerging premise is that postsecondary institutions must now consider the redesign of core academic structures and processes. Demands for academic restructuring grow out of a postretrenchment context that assumes significant administrative cuts have already been made. We will suggest later in this essay that universities must move beyond administrative cuts, to rethinking the nature of administrative work in the postretrenchment environment (Barley, forthcoming).

Given the urgency of the contemporary calls for academic restructuring, it is useful to put the contemporary context in historical perspective. Just as this is not the first time observers and stakeholders have called for urgent higher education reform, it is also not

the first time such calls have been driven by the perception of financial constraints. Nor are such corollary contemporary rationales for reform as increased competition, changing demographics, and dire enrollment forecasts particularly novel. What is arguably new is the juxtaposition of so many of these contextual demands at one time. As a result, the contemporary environment in which research universities operate has become extremely turbulent (Cameron and Tschirhart, 1992; Dill, 1993-94; Dill and Sporn, 1995a); and the word "restructuring," in many arenas of education has become a magic incantation (Tyack, 1990).

One of the planning issues we address in this chapter concerns whether initial university responses to fiscal constraint have contributed to the environmental turbulence universities face today. At the end of the last decade university managers began to forestall the impact of fiscal constraints, particularly declines in state appropriations for higher education, through ad hoc planning (Gumport, 1993), tuition increases (Griswold and Marine, 1996), cost plus pricing, and budget discipline (Zemsky and Massy, 1990; Pew, 1993a). Initial institutional responses to declines in external revenue sources at once delayed the full impact of revenue shifts while at the same time generating additional stress. The short-term solutions of raising tuition and ad hoc cost cutting contributed to increasing conflict with state legislatures, and created additional political economic pressure on the institutions, as in the cases of Virginia and California (Breneman, 1995). Given accelerating demands for institutional restructuring and increased legislative intervention in higher education policy and planning, the issue of university autonomy moves to the fore. Without a careful approach to demands for restructuring, postsecondary institutions of all types are in danger of losing control of the transformations that must be made in response to increasing environmental turbulence (Pew 1993b, 1993c).

Our analysis of the emerging literature on academic restructuring reveals a shift in the conceptualization of higher education institutions. Environmental demands have shifted from asking the university to do what it does for less money to asking the university to change what it does. The contemporary question is not whether higher education can continue "business-as-usual" given adaptation to increased environmental turbulence; rather the question is what sort of universities will emerge from adaptation to these inexorable demands.

In the first section of this chapter, we describe the factors that have led to the current planning challenges. Second, we sketch the demands for change. Third, we examine the nature of emerging restructuring initiatives, particularly those proposals drawn from management literature on organizational redesign, and their implications for core academic processes. Finally, we suggest what makes such academic restructuring problematic, particularly the limitations of applying a corporate analogy to academic purposes and processes.

## Historical Antecedents

Over the past century, higher education has been transformed by a relatively steady expansion of functions and structures, resulting in markedly increased enrollments and research capability. While there are many perspectives on what drives adaptation of complex organizations (Powell and Friedken, 1987), in this chapter we focus on differentiation and adaptation driven by environmental demands (Pfeffer and Salancik, 1978). By taking this perspective, we are able to examine a variety of managerial initiatives ranging from adaptation for facilitating expansion to retrenchment for times of fiscal constraint.

Decades of university growth in the post World War II era have been driven in part by what Burton Clark has described as the accretion of environmental demands for complexity (Clark, 1993, p. 263): “With each passing decade a modern or modernizing system of higher education is expected and inspired to do more for other portions of society, organized and unorganized, from strengthening the economy and invigorating government to developing individual talents and personalities and aiding the pursuit of happiness. We also ask that this sector of society do more in its own behalf in fulfilling such grand and expanding missions as conserving the cultural heritage and producing knowledge. This steady accretion of realistic expectations cannot be stopped, let alone reversed.”

Clark’s characterization enables us to account for two levels of historical developments: change at the national system level (the expansion of institutions into diverse segments with differentiated missions) and change at the campus level (the expansion of missions to take on more functions with the ensuing elaboration of complex structures). The case of California provides a useful example of the complexity proposition. Higher education in California grew as part of an overall expansion fueled by the GI Bill (Kerr, 1987). The state system was formally segmented by the Master Plan for Higher Education in 1960 into three tiers: the University of California system, the California State University system, and the state Community College system. Over time each segment adapted its mission to do more, with the original land grant University of California at Berkeley developing into a type of complex institution that Clark Kerr later characterized as the “multiversity” (1994, 1963). At both system and campus levels the adaptation to complexity entailed budgetary growth, administrative growth, and expansion of enrollments, academic programs and research activities. Given the relatively steady expansion of resources for higher education in California, few university administrators faced the formidable task of setting priorities under fiscal constraint (Gumport and Pusser, 1995).

The adaptive capacity of a higher education system and the structural elaboration of higher education organizations must be accounted for with reference to not only what changes, but how and by whom. Two classic concepts from sociological theory enable

us to understand the nature of those adaptive processes: differentiation and authority. With regard to differentiation, over time an organization's units are expected to divide into smaller, functional units of academic specialization (Durkheim, 1933; Blau, 1970). A parallel trend is said to occur with regard to personnel, where positions and work responsibilities proliferate. How the expanding enterprise is to be coordinated, and by whom, varies depending on how authority is institutionalized and formalized in rules (Weber, 1947; Zhou, 1993). Accompanying the structural differentiation in an organizational hierarchy is a social differentiation among groups and among positions based on resources, prestige and power (Blau, 1973). The integration of these parts into a whole is presumably to be assured by structural and procedural interdependence, as well as by professional and administrative authority (Clark, 1983; Etzioni, 1964).

Applying these concepts, we can see how decision-making processes within complex and expanding universities entailed significant challenges from rapidly changing environmental demands and ambiguous goals, as well as from the structural decentralization of academic responsibility to faculty (Ikenberry, 1971). That decentralization and the attendant deference to faculty expertise at the operating levels of departments was intended to assure effectiveness and academic legitimacy. Differentiation and expansion enabled both faculty and university administrators to make fewer selective choices among valued activities, a luxury their contemporaries do not enjoy (Gumport and Pusser, 1995). The long period of expansion and differentiation may also have shaped a somewhat unrealistic perception of collegiality and shared governance, a proposition we will address in the final section of this chapter.

By the 1970s, there was a growing sense of strain in universities: a recognition that expansion was not limitless, and that bureaucratic authority was not immune to breakdown. The perception in that era was that, given projected resource shifts, management's role was to shape structure (Balderston, 1974), to coordinate work flow and procedures in light of emerging concepts of efficiency and effectiveness, and to do so with an awareness of the limitations of planning models (Fincher, 1972).

Both conceptually and operationally, this planning approach gained currency through the decade of the 1970s and was proposed for both administrative and academic programs. Forecasts of enrollment declines and changing economic conditions prompted planners to engage in detailed academic priority-setting. This required two stages: determining the overall inventory of academic programs, and prioritizing those programs (Shirley and Volkwein, 1978). The mission statement was given additional prominence in the planning process (Fuller, 1976), particularly in deliberations over quality and centrality, while program cost became an increasingly important factor. The result was a growing demand for planning that integrated decision-making on academic priorities with decision-making on resource allocation.

Into the 1980s, the activities of university management continued to focus on planning, and increasingly on strategic planning for linking goals and resources in an uncertain and complex environment. Economic perspectives and lessons from the for-profit sector were offered to university managers for thinking about costs, revenue streams, market considerations, and the deployment of human resources to achieve goals (Hearn, 1988), although additional political and social considerations specific to the academic arena were offered for conceptualizing retrenchment in the 1980s (Mortimer and Tierney, 1979; Mingle et al., 1981; Keller, 1983; Hyatt et al., 1984; Barak, 1984). Scanning the environment and evaluating revenue sources were two important foci of analysis (Cope, 1978; Hearn, 1988; Cope and Delaney, 1991). Resource allocation reform designed to preserve excellence under retrenchment was seen as a central component of university management (Hyatt et al., 1984; Massy, 1994). Cost containment and the preservation of quality were key guides to the development of indicators and benchmarks of performance for institutions and their sub-units. Such planning efforts were at times focused on particular fields of study, as in the case of re-organizing the biological sciences at the University of California at Berkeley (Trow, 1983).

By the close of the 1980s, a number of economic problems for higher education had been identified as continuing challenges. Tuition escalation (Gladieux, Hauptman, and Knapp, 1994; Griswold and Marine, 1996), rising administrative costs (Leslie and Rhoades, 1995), and low productivity (Anderson and Meyerson, 1992) were often addressed, while innovative financial management strategies were sought to close the gap between long-run growth rates of expense and revenue. The following decision rule for competitive institutional advancement expressed the perspective of many planners: expand an activity as long as marginal value plus marginal revenue exceeds marginal cost (Hopkins and Massy 1981). It was widely agreed that, as financial stress increased, more precise alignment of resource dependent relationships would be a key strategy.

The nature of proposals for university re-alignment that emerged depended on whether the conceptualization and subsequent adaptation were guided by processes adopted from the for-profit sector (Guskin 1994a, 1994b; Mohrman, 1993; Dill and Sporn, 1995b), emerging networks similar to multinationals (Bartlett and Ghoshal, 1989; Ghoshal and Nohria, 1993), or principles inherent in the management of non-profits (Oster, 1995; Albert and Whetten, 1985). The adoption of restructuring practices developed in for-profit, particularly corporate settings, has become a central vehicle for the transition to contemporary university frameworks. However, this transition is not without its critics. As James (1990, p.77) pointed out, economic decision processes and priorities are based on assumptions that “clearly do not hold” for American colleges and universities. We will revisit this point in more detail in the final section of this chapter.

## **Calls for Reform**

By the early 1990s widespread fiscal challenges, particularly in state economies, prompted university planning literature to attend to shifting environmental demands. A recognition of a changing competitive context, environmental turbulence, and shifting demands led scholars and observers to suggest reforming delivery processes in order to make them better attuned to costs, quality and markets (Guskin 1994a, 1994b; PEW, 1993a, 1994; Dill 1993-94; Dill and Sporn, 1995a). In this context, demands called for institutional redesign, with goals of lower costs and better student learning, more attention to teaching, as well as direct contributions to regional economic development (Guskin, 1994b; Massy and Zemsky, 1994; SREB, 1994). Demands for teaching students more effectively at lower costs, occurred across the higher education system and were assimilated under the banners of increased quality, productivity, and efficiency in higher education (Anderson and Meyerson, 1992; Massy 1994).

The push for quality and efficiency arises from demands for response to resource constraints. In the early 1990s, public universities at every level faced declines in a fundamental source of revenue, state appropriations, to a degree unprecedented in the post World War II era. Private and public universities alike were feeling a significant financial pinch, due to a pattern of costs surpassing inflation and economic recession (Zemsky and Massy, 1990; Cole, 1993). At the time of this writing, a consensus is building among scholars and administrators of higher education that unlike the demands for retrenchment of the eighties, the political economic demands for change reflected in declining state appropriations are part of a structural shift in funding for higher education that goes beyond belt-tightening and is unlikely to be restored in the event of general economic recovery (Barrow, 1993; Cole, 1993; Kennedy, 1993; Pew, 1993b). As Zemsky and Massy (1990, p. 22) have observed, “cost containment is much more than cost-cutting. Each of these institutions seeks a basic shifting of priorities along with substantial administrative redesign. They want to be not just leaner, but actually different institutions—more flexible, more able to focus their investments, simpler in their organization and management.”

University planners have had particular difficulty in coping with contemporary revenue shifts, as they have been accompanied by a multitude of contradictory, and often expensive, political economic demands generated by an array of competing interest groups (March and Olsen, 1995). These demands include: insistence that access be preserved and enrollments increased, calls for cuts in outreach and moratoriums on new construction, demands for increased institutional revenue generation and limits on tuition and fee increases, promotion of privatization initiatives and calls for a return to essential land grant missions, demands for new programmatic offerings, and of course, demands to reduce higher education costs.



The attention to the magnitude and nature of costs in higher education has forced planners to focus on two fundamental questions: “Are we doing things right?” and “Are we doing the right things?” The question “Are we doing things right?” has been given additional urgency by the emergence of, and increasing demand for, new technologies for the evaluation and delivery of educational products and services. A number of observers have begun to identify emerging possibilities for re-organizing administrative operations as well as for redesigning core academic processes, e.g. teaching and learning (Guskin, 1994a, 1994b; Pew 1993c, 1994; Peterson, 1995) with enhanced, electronic, and interactive technologies. The goal is to apply new technological competencies to reduce the cost of production and consequently to educate more students without additional funding.

The question, “Are we doing the right things?” has led planners to a reconsideration of organizational identity (Albert and Whetten, 1985) and the future market for higher education in every sector. Some observers have noted that we are entering a new era of competitiveness (Cameron and Tschirhart, 1992; Stigler, 1993; Dill and Sporn, 1995a; Clark, 1995) accompanied by increasing student demand for marketable skills. This trend, as it attempts to match student “educational consumption” patterns with a rapidly changing national job market, has been characterized as a “new vocationalism” (PEW, 1993a, 1993b). In this arena, it is useful to note an important distinction between responding to direct student demand and planning to prepare students for a rapidly changing world (Jessop, 1993). We will return to this point at the conclusion of this chapter.

A corollary aspect of the demand for new efficiencies and greater productivity is the growing interest among university planners in re-organization strategies adopted from corporations in highly competitive arenas. When applied to higher education these strategies address a range of organizational processes that challenge the way decisions are made, how information is shared, how students are taught, how students learn, how faculty work, how research is conducted and subsequently developed for marketing, and how auxiliary enterprises are managed (Peterson, 1995). The emergence of new technology is seen as a particularly important complement to these re-organization strategies. Taken together, heightened resource constraints, changing market demands, and emerging technological capabilities are part of a broader conjunction of forces calling for change in the business of higher education. A prime example of the external pressures for efficiency and responsiveness comes from the state of Virginia. Early in 1994, as a portion of the General Assembly’s appropriation act, each public senior institution of higher education and the Virginia community college system was required to submit long range restructuring plans that ensured effectiveness while increasing enrollments, without increases in state appropriations. To insure compliance, the state withheld a portion of each institutions education and general appropriation for the biennium until its restructuring plan could be approved by the State Council for Higher

Education and the Secretary of Education. To underscore the point, the state Education Secretary pledged to withhold funds from schools that failed to prove they were fundamentally changing the way they did business.

## **Approaches to Academic Restructuring**

Restructuring has emerged as an imperative at the nexus of resource constraints, market demands, and technological possibilities. University planners are attempting to devise new management strategies and decision processes to facilitate access and quality improvements, as well as to reduce costs through reductions in bureaucracy and the creation of administrative and academic production efficiencies.

It is noteworthy in the contemporary context that academic and administrative reform, traditionally treated as quite separate arenas, are linked in the name of restructuring. Contemporary proposals also broaden the scope of responsibility for academic reform to include wider university participation, and shift the locus of decision making on academic issues beyond faculty jurisdiction (Gumport, 1993; Guskin 1994a, 1994b). Although our focus is on academic restructuring, we will give some consideration to incipient efforts in the administrative domain as well.

In analyzing emerging restructuring initiatives we find it useful to identify three distinct strands of action: re-engineering, privatization, and reconfiguring. Taken together, these strands constitute the essence of contemporary restructuring.

### *Re-Engineering*

Proponents of change have advocated that the administrative domain should be restructured before the core academic processes of the university (Pew, 1993a, 1993b, 1993c; Hyatt, 1993; Guskin 1994a, 1994b). There are a number of rationales for this, including that the administrative actors who will implement changes in either domain can address their “own side of the house” with less resistance (Guskin, 1994a, 1994b), and that administrative expenditures have been growing more rapidly than those for instruction for some time (Gumport and Pusser, 1995).

The initial approach to the restructuring of the administrative domain in response to economic retrenchment was reminiscent of the financial management approach of earlier decades, relying on discipline in budgeting, monitoring resource allocations for effectiveness and cultivating new revenue streams. However, a new “re-engineering” orientation has begun to emerge (Pew 1994; Guskin 1994a, 1994b). When adapting corporate strategies that attempt to re-engineer core work processes (Hammer and

Champy, 1993), higher education organizations have been called upon to rethink the nature of the work to be done and to redesign processes as well as culture. The goal is to go beyond “cutting and combining” (Guskin, 1994a) and getting “meaner and leaner” for cost containment (Zemsky and Massy, 1990).

Key dimensions of this re-engineering approach, particularly the effort to implement an organizational shift from a hierarchical bureaucracy to a network of interdependent work processes designed to address customer needs (Lembcke, 1994; Coate, 1993), have originated in premises from Total Quality Management (TQM) and similar re-engineering processes (Seymour, 1992; 1994; Peterson, 1993). From this perspective, higher education managers can identify persistent quality problems and make structural modifications to improve the organizational performance of administrative operations. It remains to be seen whether these strategies will address the changing nature of higher education administrative work itself, as new technologies increasingly challenge existing notions of expertise and authority (Barley, forthcoming).

In one case of administrative re-engineering (at Antioch), the change process required that organizational units imagine themselves out of business, in order to envision the redesign of processes for delivery of administrative services. In effect this gave the administration the opportunity of “closing down one central administration and starting a new one.” (Guskin, 1994a, p. 28). In another case (University of Maryland at College Park), re-engineering was utilized as part of developing a multifaceted enhancement plan, assessing existing organizational processes and procedures, as well as for inspecting specific linkages between revenue generation and resource utilization (Hyatt, 1993).

In a similar vein, late in 1993 the University of California convened a work group charged with exploring new approaches to human resource management that would address “unprecedented challenges by making unprecedented and fundamental changes in the structure and delivery of its administrative services” (UC Workforce for the 21st Century, 1993, p. 1). Two key facets of the proposal were the re-organization of campus information technology to provide enhanced communication and management information systems, and increased reliance on outside organizations, wherever cost-effective, to perform campus administrative service. The work group’s recommendations included a comprehensive redesign intended to shift the norms of the workplace, including recasting the role of administrative leadership: “[S]enior management commitment and support will be essential to help managers and staff overcome the profound resiliency of the University’s bureaucratic culture” (UC Workforce for the 21st Century, 1993, p.2).

In each of these cases, cultural transformation is fundamental to the re-engineering process. As one observer describes it, traditional bureaucratic relations of hierarchy and control are ostensibly being challenged by those of market and exchange, and of cus-

tomers, products and distribution (Tuckman, 1994). An important distinction arises with regard to the application of “market” approaches to higher education reform. Tuckman points out that the emergence of Total Quality Management and other quality-focused derivatives proposes a competitive market for resources within the institution, in addition to the traditionally acknowledged competition between institutions, and between higher education institutions and other providers of educational services. He suggests, “The introduction of TQM clearly allows further organizational change such as the breakdown in role demarcation, enhancing the development of a more flexible division of tasks. Its particular contribution to the current repertoire of organizational changes is not to construct market relations, but to create a way of seeing organizational relations as market relations” (1994, p. 731).

In the academic domain, a similar starting point for re-engineering has been offered: a view of the academic enterprise as a network of interdependent work processes rather than a static hierarchical structure of discrete units. There has also been some acknowledgment that administrative re-engineering principles and redesign of processes cannot simply or appropriately translate onto academic operations, such as curriculum formation, teaching and learning, promotion and tenure, and admissions (Pew, 1993a; Fienberg, 1996).

It has been suggested that adapting quality re-engineering principles to academic work requires a new approach to defining academic quality as well as a rethinking of the nature of academic work. Regarding the former, Guskin notes that, “for decades universities and colleges have wanted to define academic quality in terms of resources—faculty scholarship and degrees, depth and breadth of curricular offerings and the presence of topflight labs, libraries and facilities” (1994b, p. 24). He credits this way of defining quality as a key catalyst in rising costs, the proliferation of disciplinary programs based on faculty interests, and the increased expenses for student services. Guskin suggests a shift in the definition of academic quality from resources to results. This would ostensibly turn institutional focus from faculty productivity to student productivity; from faculty disciplinary interests to “what students need to learn,” from faculty teaching styles to student learning styles, placing a priority on the student as customer. Guskin calls this overall process “outcomes” thinking, and suggests it is the norm in health care, another arena where TQM has been used extensively. He sums up this way: “Returning to my basic point: the costs of education, the demand for enhanced learning outcomes, and rapid advances in technology will bring pressures for radical change in the administrative and educational practice of American higher education. Our need is twofold: to reduce student costs and increase student learning” (1994b, p. 25).

Re-engineering academic work will involve rethinking the educational process itself, the way faculty work, and the standards of educational technology (Pew 1993a, 1993c; Guskin, 1994a, 1994b; Breneman, 1995). Proponents of re-engineering also presume that

technology can help lower the cost of education and make the delivery processes of teaching and learning more efficient by using electronic and interactive technology for transmitting course material and for communicating. Along the same lines, using technological advances to replace the notion of “credit for contact” with “credit for knowledge,” will render the concept of “classroom time” a “quaint anachronism” (Pew, 1994, p. 3A).

Underlying this goal is the presumption that faculty need to be convinced to change how and what they teach. The issue from this perspective is not simply to get faculty to teach more students or to work harder; the idea is to get faculty to change how they work. As Massy (1992, p.1) states: “The problem is not whether professors are working hard, but rather how they are working and what they are working on.” A key focus in this transition will be to encourage the academic departments to re-engineer the delivery of courses and programs to maximize efficiency and effectiveness (Pew, 1994). Re-engineering to reduce costs in the arena of student learning will presumably be applied in related academic arenas as well—in the research enterprise (Kennedy, 1993; Shapiro, 1990), and to maximize the benefits of the service enterprise at a minimal cost (SREB, 1994).

### *Privatization*

A second and central rationale for contemporary restructuring initiatives are administrative redefinitions of just how much of the “business” of higher education should be handled within existing structures and competencies. In a highly competitive environment, the thinking goes, certain traditional university operations can no longer effectively compete with for-profit entities offering the same services at lower cost. Although auxiliary enterprises that operate like for-profit entities have long been fixtures on many campuses, a growing trend towards private/public partnerships and direct private operation of university services has become increasingly apparent (Zusman, 1994). As one example of the expansion of auxiliary enterprises, in the University of California system, over the most recent twenty-five year period, expenditures on auxiliary enterprises increased over 200 percent (Gumport and Pusser, 1995).<sup>1</sup> In the University of Virginia system, after the initial round of legislatively-mandated restructuring proposals are implemented on campuses, private companies will provide food service at 12 of the 16 four-year campuses, eight campuses will have bookstores run by private firms, and on one comprehensive campus, George Mason University, over fifty campus services will be conducted by private contractors (Trombley, 1995).

Although the implementation of privatization initiatives on campus to date has been primarily in the domain of administrative services, a number of proposals and shifting financial arrangements have also brought elements of privatization to the academic arena as well. In the case of UC, in 1994 differential student fees were implemented for selected professional schools, with a portion of the increases remaining in those schools.

At the same time, introductory Spanish language classes were eliminated at the UC Berkeley campus, and subsequently “outsourced” to the campus Extension program. The UC Office of the President also intends to explore outsourcing a number of other introductory courses to outside providers (Gumpert, 1994).

On a much larger scale, early in 1996 the University of California Office of the President requested Regental approval to merge the University of California at San Francisco Medical Center and a number of UCSF hospitals and clinics with the Stanford University Hospital and various Stanford clinics, along with the clinical practices of the full-time medical faculty of both universities. The proposal called for the formation of a new non-profit public benefit corporation to be known as “NEWCO.” Under the proposed governance arrangement for “NEWCO,” the University of California would hold six seats on a seventeen member board, and consequently the governing board’s actions would not be subject to the state open meeting laws or public records act. Under the proposal the University of California would also transfer over one hundred million dollars of assets into “NEWCO,” an enterprise the Regents’ General Counsel described as “not a public entity in the same sense as the UC.”<sup>2</sup>

The higher education privatization trend is part of a broader shift in the provision of welfare functions in the United States, in which aid is increasingly delivered directly to consumers. A prominent example in higher education is the widespread adoption of “high-tuition/high-aid” financing models in public higher education institutions (Hauptman, 1990; Griswold and Marine, 1996). The past decade has seen a significant shift of the responsibility for funding student enrollments from the states to individual consumers in the form of tuition and fee increases, in some cases tied to increases in direct student loans (Gladieux, Hauptman, and Knapp, 1994). Non-profit institutions are also increasingly shifting from direct provision of services to financing or arranging the provision of traditional services by third parties (Salamon, 1995). We will address some of the implications of the privatization shift in greater detail later in this chapter.

### *Reconfiguring*

The third strand of re-organization initiatives encompasses the reconfiguration of university structures utilizing strategies adapted from corporate models. In essence, reconfiguring aims to reshape organizational structures in order to facilitate the implementation of re-engineering processes. As with re-engineering, the ostensible goal of reconfiguring is to enhance organizational efficiency, flexibility and response.

The network conceptualization is one of the more prominent examples of corporate restructuring strategies that may be applied to higher education. Extending the premise of adaptation to an increasingly competitive marketplace (Powell, 1990; Provan and

Milward, 1995), in networked organizations there is a strong push away from vertical integration into more and smaller work units. The intention is organizational decentralization, the downsizing of bureaucracies, the growth of smaller units of enterprise, and the development of extended networks of interaction. These modes of organization, which Powell calls “hybrid forms,” flourish under rapidly changing environmental conditions, when large scale organizations have reached their functional limits, and when there is a demand for rapid information transfer and decision-making. A key challenge within this management orientation is to accommodate the differentiation needed for flexibility and horizontal work arrangements at the same time as achieving efficient integration of academic work (Dill and Sporn, 1995b).

A related aspect of network reconfiguration seen as particularly relevant to academic restructuring has been developed by Bartlett and Ghoshal (1989, 1990, 1994, 1995a, 1995b). According to these management theorists, success in a complex and competitive environment depends on a fit between environmental demands and strategy. Beyond this acknowledgment of resource dependence, organizational leaders must view their organizations as a portfolio of unified horizontal work processes, which are dynamic and in need of ongoing redesign. This view is intended to broaden the focus of managers: “As powerful as new structure can be, structure is only one instrument of organizational change, and a blunt one at that” (Bartlett and Ghoshal, 1995a). Managers are to manage people and processes in order to build an organization based on a shared and internalized vision as well as efficiency in human resource management: “This means creating an organization with which members can identify, in which they share a sense of pride, and to which they are willing to commit. In short, senior managers must convert the contractual employees of an economic entity into committed members of a purposeful organization” (Bartlett and Ghoshal, 1994, p. 81).

Contemporary higher education research inspired by corporate strategies suggests that managers view the university as a multiproduct organization and adopt a more corporate form of organization and management. This may be thought of as a complement to the privatization initiatives that turn university auxiliary functions over to corporate providers. According to Dill and Sporn (1995, p. 184), the competitive environment makes a compelling case for this shift: “In particular, intra-national and international competition among universities and between universities and other organizations is increasing. This new environment will require that all universities that wish to compete in this emerging international market develop a more corporate form of organization and management, with the capacity to employ university resources, programs and personnel, in a more flexible, adaptive, and efficient manner.” From this perspective, universities need to create academic, research, and service profit centers that exploit core competencies (Prahalad and Hamel, 1990). This perspective also invites managers as well as all members of the organization to continually re-evaluate the organizational

mission. Strategies are designed to focus on clarifying and internalizing organizational values. The focus on horizontal processes is intended to yield better access to information, more entrepreneurial activity, and ultimately a more competitive institution.

A recent University of California initiative offers a useful example of the network vision of reconfiguration as applied to higher education administration. As part of a comprehensive review of its human resources management, a University task force presented a set of recommendations that were intended to “embody the paradigm shift from the University’s existing bureaucratic environment to a proposed network vision” (Developing the UC Workforce for the 21st Century, 1993, p. 4)<sup>3</sup> Recommendations included the implementation of localized systems of administrative decision-making, a move away from a focus on central administration to a focus on the department level of decisionmaking, and a redistribution of roles and responsibilities between the Office of the President and the individual campuses.

Another personnel challenge at the University of California, the large numbers of senior faculty taking advantage of early retirement incentives, is increasingly common across the nation and at multiple levels of the higher education system (Gilliam and Shoven, 1996). The extent of early retirements, and the necessity for replacing those faculty in an innovative manner, hints at the potential scale of the application of network reconfiguration. Over the past three years, nearly two thousand UC ladder faculty have taken advantage of voluntary early retirement programs. A number of initiatives have been discussed as part of efforts to replace and realign those faculty positions. A systemwide Academic Planning Council has begun to pursue the emerging concept of “one system thinking.”<sup>4</sup> The intent of the one system approach is to find ways to increase inter-campus cooperation, to examine redundancies in curricula, and to reconfigure existing academic personnel commitments in order to sustain quality curricula while creating a more adaptable academic workforce and achieving broad cost savings.

### **Contemporary Restructuring: Challenges and Implications**

Taken together, the practices embodied in contemporary re-engineering, privatization, and reconfiguring initiatives provide a guide to emerging academic restructuring proposals. They also point to a definition of restructuring as a managerial imperative, emerging from political economic demands for cost-cutting, efficiency, productivity, and competitiveness. Perhaps the most comprehensive set of restructuring proposals advanced to date emerged from the public higher education institutions of Virginia referred to earlier in this chapter. Under legislative mandate the state’s public senior institutions and its community college system were required to prepare plans that would “effect long-term changes in the deployment of faculty, to ensure the effective-



ness of academic offerings, to minimize administrative and instructional costs, to prepare for the demands of enrollment increase, and to address funding priorities as approved by the General Assembly" (Virginia General Assembly, 1994).

The plan submitted by George Mason University is an excellent example of the juxtaposition of forces and forms that engage contemporary planners. With regard to administrative functions the report includes sections on "Privatizing for Better Service, Increased Effectiveness;" "Innovative Outsourcing;" and "Managing for Maximum Efficiency." In the academic domain the sections include, "Public-Private Partnerships For Mutual Benefit;" "Serving the Region: The Distributed University;" "Technology's Role At The Distributed University;" "Breaking the Faculty Mold;" "From Input to Output Measures;" and "The Virtual University" (GMU, 1994). Under George Mason's academic reconfiguration students will be able to take courses at twelve universities in the Washington Metropolitan area, receive instruction from faculty via electronic hookups, participate in instructional units located outside both departments and colleges and access a new curriculum in new ways. Taken together, it is hoped that these changes will significantly alter the university's academic culture.

Plans submitted by other Virginia universities include detailed sections on improving faculty productivity through incentives and technological innovation, curricular reform, economic development programs, and reconfiguration of academic disciplines, including the elimination of 47 degree programs (Trombley, 1995). The Virginia Community College System's (VCSS) plan began with a commitment to a complete review of curricula, over six thousand courses, in order to reduce redundancy and speed time to degree. VCSS also proposed a number of innovative applications of technology, including the transformation of learning resource centers into instructional technology centers, and the development of comprehensive databases to track student progress over time and across cohorts.

The various Virginia plans demonstrate the extent of the contemporary shift in university management strategies. Moving beyond planning for resource constraints and rapidly changing environmental demands, a new set of university management initiatives is being developed that would reposition and reconceptualize the higher education industry. These developments need to be considered in historical perspective and combined with lessons already learned from long-range strategic planning efforts (cf. Schuster et al., 1994). Taking a long view, we are reminded that, while much has changed in university life, much has remained the same; and the essential conservatism of academic structure and culture has protected universities from short-sighted adaptations (Kennedy, 1993; Kerr, 1995). Proponents of restructuring models adapted from contemporary corporate organizational reforms must also confront the enduring academic norms of individual entrepreneurialism and autonomy, a bundle of formidable

obstacles which Bartlett and Ghoshal (1989) have called “administrative heritage.” It is no surprise then, that although a number of proposals have been launched, except where legislatively mandated, relatively little academic restructuring has actually been implemented. Nonetheless, proposals for academic restructuring warrant thoughtful consideration, as changing environmental demands pose challenges for universities to depart from doing business as usual.

With that in mind, we now turn to some unresolved challenges for academic restructuring inherent in the structure and organization of today’s postsecondary institutions. Identification of obstacles is valuable at this stage; for although academic restructuring is relatively untested, some problematic dimensions are apparent even in its nascent form. We will address four areas of specific concern: restructuring based on initiatives developed in a for-profit context; challenges to academic autonomy; the changing nature of administrative work; and political economic resistance to restructuring, particularly to privatization initiatives.

First, a formidable challenge lies in the effort to base higher education restructuring initiatives on models developed in for-profit, primarily corporate, organizational realms. A fundamental difficulty arises from the absence of a clear and shared profit-maximizing goal within higher education organizations (James, 1990). Further, university missions have historically been ambiguous, core competencies difficult to define, outcomes assessment problematic and outputs difficult to gauge. As Massy notes, “Achieving precise quality definitions and measures for higher education’s outputs is difficult, if it is possible at all” (1990, p. 1). Measuring effectiveness in universities has been significantly more complicated than in for-profit organizations, where success is measured by an easily benchmarked “bottom line.” A number of explanations have been offered for the difficulties in evaluating the efficiency of public sector and non-profit enterprises relative to private, particularly corporate, entities. These include the problem of defining efficient courses of action in public institutions beholden to a multitude of primary and contextual goals, the generally weaker incentives for executives in non-profit institutions to find efficiencies, and the diffusion of authority that limits public sector executives ability to implement efficiencies (Wilson, 1989). It has also been argued that the professional motivations of non-profit employees are ambiguous and that universities, along with other non-profits, have more labor intensive production processes than for-profits (Oster, 1995) as well as having highly complex professional work at the operating level (Mintzberg, 1994, pp. 404-408). University managers need to proceed with caution. As Columbia University Provost Jonathan Cole has noted (1993, p.6): “Of course research universities are not, cannot, and should not be organized in imitation of corporations. The process of decision-making is going to take longer than in the hierarchical culture of the corporate world. The goal is not to imitate the business community, but to take some lessons from it (especially in the administrative and business side of research universities).”

A related and equally significant concern for academic restructuring proposals is the challenge to academic autonomy. Universities must accommodate demands to maintain institutional competitiveness in a postindustrial environment while adapting to prepare students for competition in a changing global economy (Dill and Sporn, 1995a). The latter demand is for constructive and fundamental change, particularly in curricula and degree programs that will enable students to be proficient in new competencies for a global marketplace (Pew, 1994). Consequently, universities are called upon to simultaneously reduce the costs of their degrees and remain flexible in resource allocations to academic programs. As we have noted these calls are increasingly taking the form of external mandates linked to university appropriations. Such shifts in the locus of control over the nature and pace of academic program change raise powerful questions for university autonomy.

While prior challenges to university autonomy have been characterized as an internal struggle between administration and faculty or as a struggle between campus and external political actors (Berdahl, 1990), it appears that the preservation of autonomy from increasing market demands has also become a central challenge (Slaughter, 1994; Altbach, 1994; Williams, 1995). University planners will continue to be hard pressed to respond to market demands for curricular change, while at the same time maintaining local control of academic programs.

The situation is further complicated by differing perspectives on academic purposes and processes among faculty as well as between faculty and administration (Peterson and White, 1992; Gumport, 1993). Academic restructuring proponents have stated that the fragmentation and entrepreneurialism of research faculty will need to be mitigated in order for effective teamwork and horizontal integration to develop (Massy, 1994; Dill and Sporn, 1995b). In that light the challenge goes beyond merely shifting organizational architecture, to a deeper level, where it manifests as a call for faculty resocialization and integration (Shapiro, 1990; Kennedy, 1993; Hastorf, 1996).

The mechanism for achieving this integration is not clear. Although attention in recent restructuring literature is paid to faculty and faculty culture as impediments to academic restructuring (Massy and Zemsky, 1995; Massy, 1995), we suggest that such resistance as is found in the academic realm results from a complex of historical traditions and contemporary interactions (Clark, 1987; Altbach, 1994). A number of groups, including external resource providers, legislatures and coordinating councils, administrators and institutional governing boards, employee unions, and students, also possess distinctive cultures and interests in the shaping of a broad institutional academic culture that will need to be reconciled for innovative restructuring proposals to succeed. As Wilson explains it, (1989 p. 371) "in defining a core mission and sorting out tasks that either fit or do not fit with this mission, executives must be aware of their many rivals for the right to define it."

Further, it is not clear that new forms of organization will reduce the intrinsic competition in higher education between groups with varied interests and objectives. In the case of the University of California's proposal to create "NEWCO," litigation was commenced by employee labor groups before the proposal had even been adopted. With those obstacles in mind, it appears that the involvement of a variety of interest groups, as part of a collective deliberation about academic purposes and values, will be critical to the implementation of academic restructuring initiatives.

Another challenge to contemporary academic restructuring comes from an enduring set of political economic demands that have not yet been sufficiently addressed by re-engineering, privatization, or reconfiguration proposals. Recent restructuring literature addresses political economic challenges by suggesting that universities establish a position close to "the market" for higher education, as represented by demands from students, funders and other political economic actors (Pew, 1993a; 1993b; Williams, 1995). Positioning for "the market" remains problematic on at least two dimensions: first, "market demand" in higher education is poorly defined, while the supply and relative quality of university "outputs" particularly difficult to quantify (James, 1990). Second, public higher education has a unique history of public ownership shaping its dimensions. Private higher education is similarly bound by tradition and unique constituencies that render projections on the "commodification" of the "product" of limited utility. This is not to say that strategic positioning is not important for higher education institutions, or that market considerations will not influence the reshaping of academic priorities and programs. A key to successful planning will be the recognition that positioning in higher education is extremely difficult, and will be shaped by a multitude of demands that are, as noted, often contradictory.

Within the mix of political economic demands pressuring universities, the call for quality management strategies, the demand for excellence, and the directive to cut costs deserve special consideration. The way to enhance academic quality while cutting costs is not yet clearly defined. The mandate to lower costs comes with widespread enthusiasm for new technologies intended to enhance delivery of educational products and services. However, whether technological advances for academic work will lower costs is not clear (Callan, 1995). Nor does the implementation of quality management principles assure lower costs (Seymour, 1994), or improvement in the quality of academic processes of universities (Fienberg, 1996). What is clear is that additional research and evaluation is needed on the efficacy of quality improvement programs for higher education (Fienberg, 1996).

A similar case can be made for increased research into the changing nature of academic and administrative work (Barley, forthcoming). While much has recently been written about the potential influence of technology on the delivery of educational services

(Massy and Zemsky, 1995; Green, 1995) and on re-organization of university structures and processes in light of changing contexts and technologies (Dill and Sporn, 1995a; 1995b), this emerging literature speaks more to the organization of academic and administrative work, than to the nature of that work itself. As Barley (forthcoming) notes, "Part of the problem is that our images of work and occupations are outdated. Remediating this situation will require developing new models of work and relations of production representative of the division of labor of a postindustrial economy." Building on Barley's analysis of the emergence of technicians and technical expertise in the labor force, we suggest that higher education restructuring for a postindustrial economy will require a recognition of the changing nature of academic and administrative work, as well as cultural and institutional changes.

The issue of increased privatization of university functions presents a number of concerns for postsecondary planners. Salamon (1995) points out that, as the outsourcing of enterprises increases, managers will be increasingly held accountable for the performance of programs removed from their control. Outsourcing and privatizing also raise significant issues with regard to public funding of higher education. Under the prevailing system, public universities receive state appropriations that are used in part to subsidize auxiliary enterprises and students as consumers of university services. As privatization increases, larger portions of the public appropriation will be funneled to private entities, with the university serving as conduit. This may lead to increased demands for student vouchers as well as direct subsidy from funders to private sector service providers, bypassing the university in the name of efficiency.

In the case of academic medical centers, many universities' efforts to compete in a capital intensive and volatile arena dominated by large private providers have been accompanied by remarkably rapid shifts in bottom line performance. The University of California Regents were described as "stunned" by a 1995 KPMG Peat Marwick analysis of the financial challenges faced by UC's five medical school hospitals.<sup>5</sup> Although a number of privatization initiatives hold out the promise of increased efficiencies and cost savings, in a number of cases they may also render institutions increasingly vulnerable.

Taken together, the obstacles to academic restructuring illuminate an enduring challenge for higher education institutions. There are various implicit conceptions of what a university is and what kind of university will emerge from adaptation. As Albert and Whetten (1985) have suggested, organizations are capable of supplying multiple answers for multiple purposes. Perhaps the environmental demands in the contemporary era make the enduring identity questions more salient for university managers and other organizational members. The stakes are high, as the university risks losing the ability to define the terms of higher learning.

There is widespread agreement that the implementation of contemporary organizational restructuring in all sectors depends on consensus. Literature from a variety of perspectives calls for the development of an internalized shared vision and a clear understanding of organizational purpose (Bartlett and Ghoshal, 1990; Clark, 1993; Dill and Sporn, 1995b). Achieving consensus on purpose in a complex university, a mature organization with a variety of stakeholders, is extremely problematic. Strategic adaptation based on incomplete consensus or adversarial relations is far less likely to take hold or become institutionalized. In that light, generating broad participation in the creation of a consensus on whether and how to restructure may be the paramount challenge for contemporary university planners.

## Endnotes

1. The growth over the period FY 1967- FY 1992 has been calculated using 1991 HEPI index dollars and does not include expenditures for academic medical centers.
2. University of California General Counsel of the Regents James E. Holst, speaking in public session, UC Regents meeting of July 18, 1996.
3. UC Work Group on New Human Resources Management, December 1993.
4. University of California, Academic Planning Council Meeting Minutes, July through September, 1994.
5. Sabin Russell, *San Francisco Chronicle*, 18 July 1996, p. A17. In a report to the Regents in May of 1996 the University of California Office of the President noted that, "Numerous presentations to the Regents over the last several years have demonstrated that academic medical centers are imperiled by economic competition in their local markets and by significant reductions in support for medical education programs." *UCSF and Stanford Merger of Clinical Activities: Creation of NEWCO Corporation*. University of California Office of the President, 18 May 1996.

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