

**TALES OF UNIVERSITY DEVOLUTION:
Organizational Behavior in the Age of Markets ***

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ABSTRACT

In the wake of the Cold War era, America's research universities became increasingly characterized by a tribal mentality among schools and departments, and among the various disciplines. The surge in research funding, and the tremendous growth rate among the major public universities in particular, fostered the idea of a "multiversity" that was becoming less communal, and less aware of its collective purpose. These patterns have accelerated considerably over the past two decades in the US and reflect three relatively new realities or influences: a) within the public university sector, decreasing public subsidies have influenced a movement toward internal management decisions and organizations that have eroded a previous model of revenue sharing (in tuition and fees and in overhead generated by extramural research, for example) to profit, loss, and prestige centers; b) this has been accompanied and reinforced by the concept that there are different market opportunities among different schools, departments, disciplines and their degrees, and hence opportunity costs (in the tuition price of an MBA versus and English PhD, for example) in which high-income units should retain and spend those monies. These influences are common in various degrees globally but seem to arise from different sources. In much of the world, including Europe, the demands and edicts of ministries and the evolving concepts of faculty-as-civil-servants heavily influence organizational behavior. In the US, decreasing public investment is driving internal behaviors that are also shaped by the interests of faculty, the increasing global nature of knowledge production, and differing market opportunities among the disciplines. This paper explores the development and impact of these various influences on research-intensive universities, while noting that the university is rapidly changing, influencing the behavior of academic leaders and faculty, the organization of the post-modern university, the flow of funds, and ultimately the perceived and real role of the research university in society. Past observers of the life and times of universities have described aspects of this shift as a movement from a larger sense of a university community among faculty to a tribal mentality. But the current shift extends well beyond the weakening of disciplines and departments, beyond faculty as individual actors to the internal organization of the academy and a relatively new concept of profit and loss centers. This shift toward "University Devolution," or fragmentation, is influenced by the external political, social, and economic world. In Europe and elsewhere, neo-liberal ministries wield great power and have helped pushed universities toward this model. In the US, thus far, it remains largely a phenomenon influenced by reduced government investment yet ultimately driven by internal decision-making related to privatization. The paper concludes with a brief discussion on whether the organizational behaviors in US research universities are reflective of global trends, or are in some aspects unique.

In the wake of the Cold War, America's research universities became increasingly characterized by a tribal mentality among schools and departments, and disciplines. The surge in research funding, and the tremendous growth rate among the major public universities in particular, fostered the idea of the "multiversity" in which universities become less communal and less aware of their collective purpose. These patterns have accelerated over the past two decades in the US reflecting two relatively new realities or influences:

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- Within the public university sector, decreasing public subsidies have influenced a movement toward internal management decisions and organizational practices that have eroded a previous model of revenue sharing (e.g., tuition and fees, or the overhead generated by extramural research) and strengthened an approach more focused on profit, loss, and prestige centers.
- This has been accompanied and reinforced by the concept that there are different market opportunities among different schools, departments, disciplines, and their degrees and other services—and, hence, opportunity costs (in the tuition price of an MBA versus an English PhD, for example). As a result, high-income units increasingly seek to retain these monies.

This paper explores the development and impact of these various influences on research-intensive universities, with particular emphasis on the internal concept of the university as rapidly changing, influencing the behavior of academic leaders and faculty, the organization of the post-modern university, the flow of funds, and ultimately the perceived and real role of the research university in society. Past observers of the life and times on universities have described aspects of this shift as a movement from a larger sense of a university community among faculty to a tribal mentality. But the current shift extends this metaphor beyond faculty as individual actors to the internal organization of the academy and a relatively new concept of profit and loss centers.

This shift toward “University Devolution” or fragmentation is influenced by the external political, social, and economic world. In Europe and elsewhere, neo-liberal ministries wield great power and have helped pushed universities toward this model. In the US, such a transformation remains largely a phenomenon influenced by reduced government investment and is ultimately driven by internal decision-making related to privatization—thus far.

Describing contemporary trends as “Devolution” can be viewed as pejorative—used to describe a process that distracts institutions from their collective strength and coherency. They are becoming, it seems, less than the sum of their parts. Such fragmentation, however, might also be portrayed as a natural progression or evolutionary tale in which market forces and the relevancy of individual faculty and programs create greater operational differentiation within and among universities. Administrative and academic leveraging of markets and funding, it can be argued, has helped support the excellence of top-tier universities, particularly in professional fields and in the sciences where the competition for talent is most intense. In Europe, where both ministries of education and an often recalcitrant faculty have made effective management of universities extremely difficult (Ritzen 2010), *Devolution* has other and more positive meanings, including the much-needed delegation of authority and management decisions closer to the Academy.

Noting these caveats, this paper focuses largely on the internal behaviors of US universities, past and future, and where institutional autonomy has a stronger tradition, and concludes with a reflection on the aspects of *devolution* that are found in universities in other parts of the globe. While there are important differences in the locus of decision making, there are many commonalities and a trajectory of convergence.

CONTEXT AND MEGATRENDS – FOLLOW THE MONEY

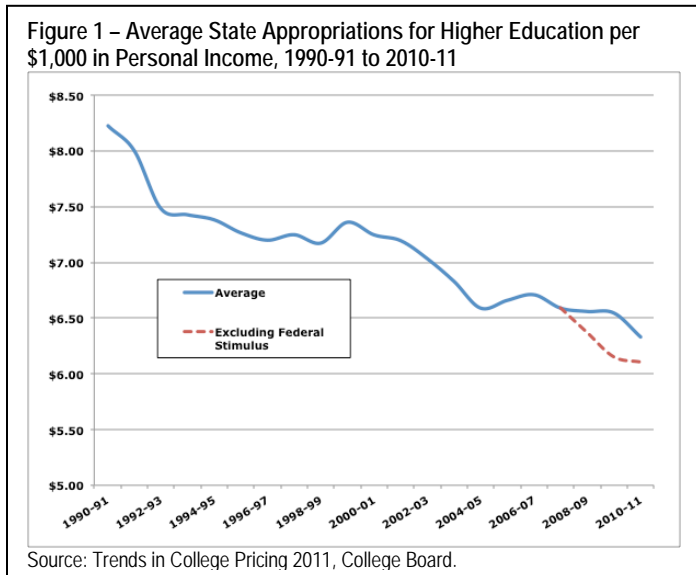
The governance and management organizations in higher education reflect real world trends and changes in the funding and political environment in which they exist. In the case of universities in the US and elsewhere, recent organizational behavior is also often influenced by long-standing practices and the structure of authority (e.g., who has budget and personnel power, a governing board, a president or rector, the faculty, or a government ministry).

America was the first nation to develop a mass higher education system, starting in earnest in the mid-1800s with the establishment of a group of “Land-Grant Universities.” While initially supported by federal legislation in the form of granting federal land to states to use for supporting or establishing universities with public purposes, the authority to create and manage new higher education institutions lay with state governments, according to the US constitution. As a result, there is no Ministry of Education at the national level, like those prevalent in most parts of the world, with primary authority for setting policy and shaping the governance and management practices of their respective universities.

In turn, state governments in the US provided significant levels of autonomy to both their publicly funded universities along with their collection of private universities. While different in their missions and in their levels of accountability, both public and private institutions reflect a corporate model in which state governments create charters approving establishment of a university (or college) and, in the case of public institutions, outline a structure of governance that includes a “lay” governing board (a body with representatives largely from the larger state community they are intended to serve). In turn, the board appoints a president (sometimes called a Chancellor), who serves at the discretion of the board (can be hired or fired at will), and provides that individual with significant management authority, including major academic hiring and budgetary decisions. Depending on the

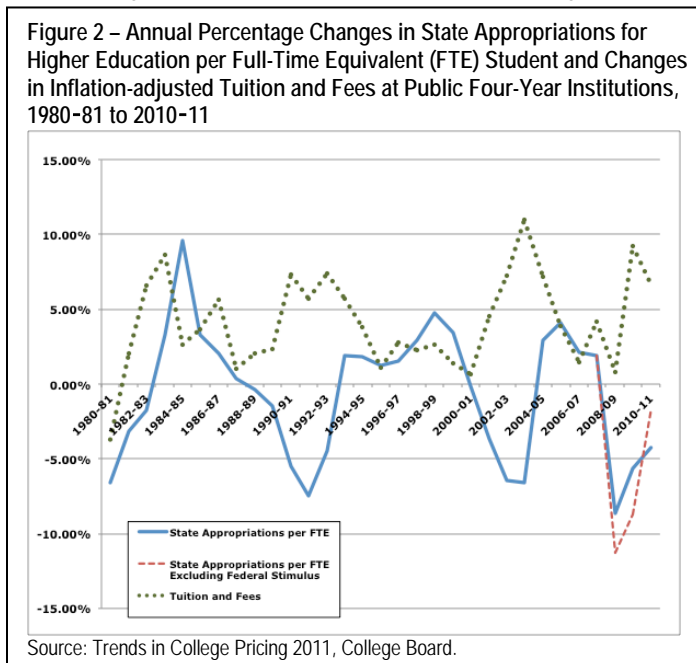
institution, faculty are generally delegated authority (to varying degrees) on academic issues, including what is taught and who teaches (a shared responsibility with academic administrators who have authority for budgets).

These basic characteristics of the US model help to provide context for the following discussion on changing organizational behaviors of universities. Up until the 1960s, and particularly between the end of World War II and 1970, much of the attention from state governments and higher education leaders in the public sphere was related to growing enrollment, programs, and the number of faculty. There was also focus on creating greater coherency in the network of state colleges and universities—essentially building systems of higher education that placed public institutions (and sometime absorbing private ones) under a single governing board. This required relatively robust and consistent new public investment in higher education by state governments. Federal investment was, and remains, largely focused on providing student aid to individual students (based on financial need) and funding basic and applied research—with tremendous investments following the startling launch of Sputnik in 1957.



At this time (again with varying degrees of autonomy and controls on the use of public monies), most public universities—where the vast majority enrollment program growth occurred over the past seventy years—could count on a steady flow of public investment. With the exception of federal research funding, there were relatively few other major sources of income. Tuition and fees in virtually all public institutions (ranging from community colleges to research intensive universities) were extremely low in the 1960s. The historical development of the corporate model and high levels of public investment led to what might be termed an “organizational structure and culture of growth” that included:

- A positive academic milieu around building new academic programs and new facilities.
- Relatively low and stable student-to-faculty ratios
- Common faculty salary scales across disciplines.
- Faculty and staff compensation levels that provided for middle-class status and relatively high rates of home ownership, health care coverage, and robust retirement provisions for retirement.
- Relatively high percentages of tenure track faculty versus non-tenured “lecturers.”
- Development of a relatively new cadre of support staff related to the growing basic research enterprise, new regulatory controls (largely from the federal government), and a growing array of student services.
- Arrival of other new support staff in areas such as student services.
- Adherence to the concept of revenue sharing in which funds are distributed to areas with a sense of greatest need as opposed to proportional allocation according to actual revenue generation (e.g., funding per-student or research overhead monies from a particular department or school).

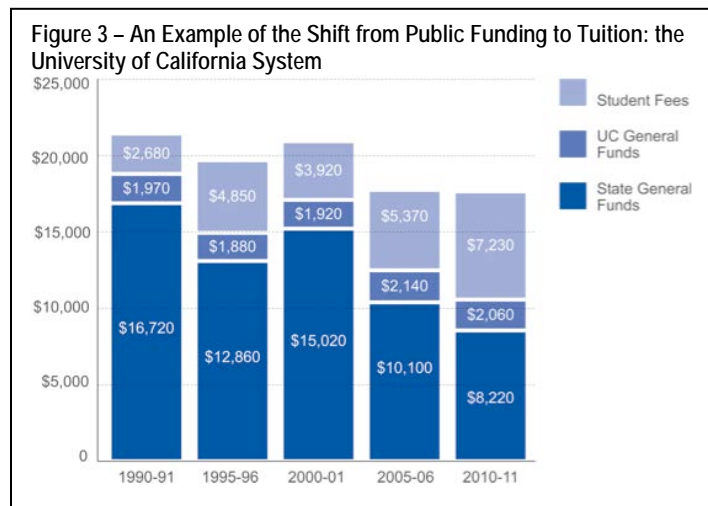


These and other factors led to a stronger sense of community among academics and their administrative leadership, although at times tested by social strife, including protests related to the civil rights and anti-war movements.

This era is often called the “Golden Age” for American higher education. Building programs, and sometimes new campuses, with adequate financial support obviously creates different organizational behaviors and dynamics than retrenchment and disinvestment. There also was a sense of stability created by relatively consistent public investment in higher education from state governments and, for the research university sector, new and consistently increasing federal funding for basic research justified to a large degree by the space race and the Cold War. The launch of Sputnik in 1957 and the subsequent surge in funding support from Washington for research in science and emerging technologies, along with continued state investment to grow programs and enrollment capacity, seemed to portend lasting financial stability for American higher education.

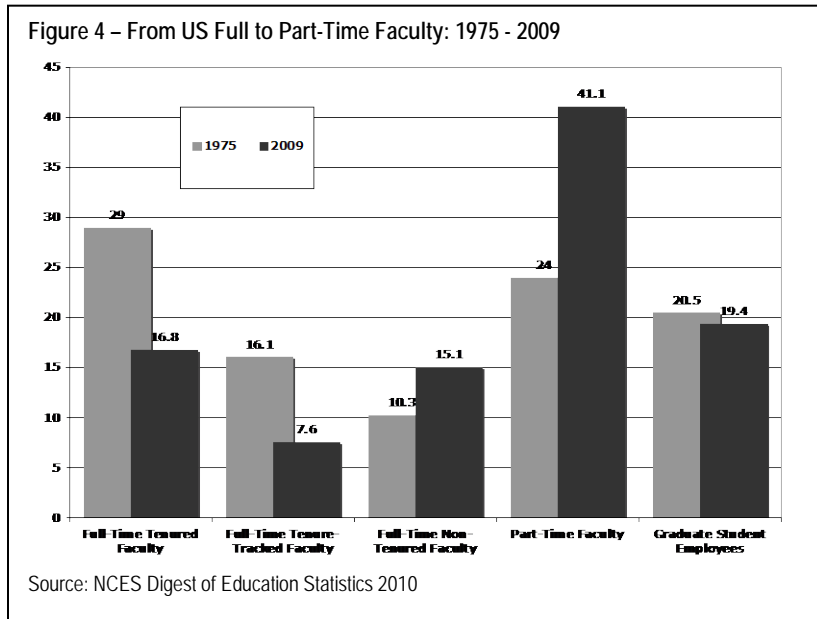
But the political and budgetary conditions that supported this environment began to change by the late 1960s. Among the major megatrends (focusing on public higher education where some 80 percent of all student are enrolled):

- The beginning of a *long-term decline in public investment in public higher education relative to personal income and on a per-student basis*. While the US population (and demand for higher education) grew, universities increasingly had to “do more with less.” See Figure 1. This nationwide phenomenon has become more pronounced over the past decade, with more significance in several states with the largest populations and, thus, the greatest dependency on public higher education, such as California, Texas, and Florida.
- In turn, this has led to *increasing reliance on tuition and fees, but not at rates that can make up for lost per-student income from public coffers*. Figure 2 provides percentage changes in state appropriations for higher education versus tuition and fees since 1979, and the resulting inverse relationship.
- Decreased public investment and volatility in funding from state governments created a new (and more difficult) environment for university management and resource allocation.



This new environment led to a number of efforts among institutions of higher education to reduce operating and capital costs. Higher education is a labor-intensive sector of the economy, essentially composed of highly trained professionals. The most effective way to reduce operating costs is to increase faculty workload—essentially by increasing student to faculty ratios—and by changing the composition of the instructional staff.

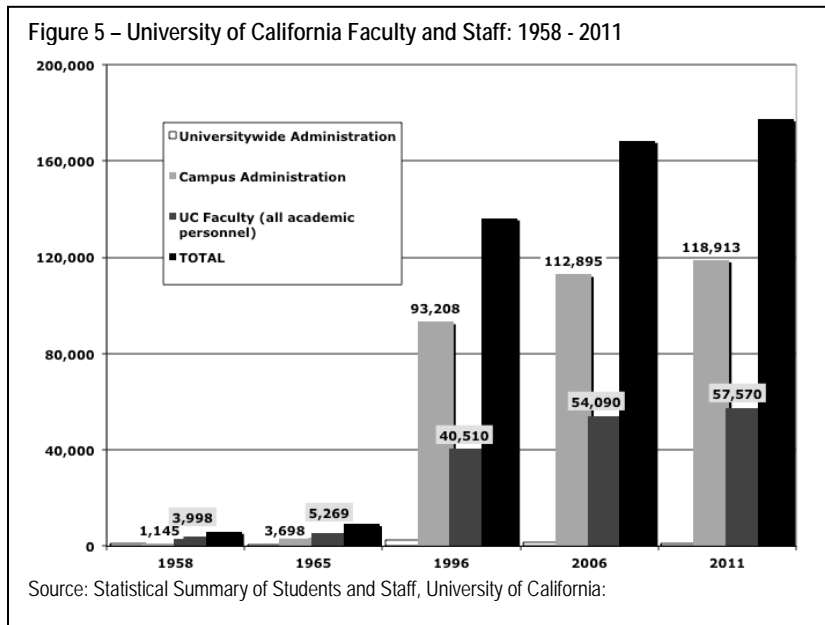
In 1960, 75 percent of college instructors were full-time tenured or tenure-track professors. In 1975, they represented about 57 percent of all instructional staff in American higher education. By 2007, a mere 31 percent of instructional staff were tenured/tenure-track faculty, while over 50 percent were part-time faculty (see Figure 4). More recent data indicates that the trend accelerated with the onset of the Great Recession. Faculty members serving in ‘contingent’ or short-term appointments now make up more than 75 percent of the total instructional staff, with the most rapid growth among part-time faculty members.



The increasing numbers of “adjunct” faculty (part-time, short-term contracts) is a phenomenon most prevalent at the community college level, but very

significant among major research universities as well, both public and private. For example, at New York University (a private institution gaining in national and world rankings over the past three decades), adjuncts teach some 70 percent of undergraduate courses. In turn, this allows for a reduced teaching workload among tenured or tenure-track faculty. And while in 1960, most faculty had similar teaching workloads across the majority of disciplines, perhaps around five courses a year in a semester system, there are now growing differences.

Another indicator of change is the radical shift in the composition of personnel at major research universities, including staff support for faculty who, in the sciences for instance, now commonly command large research teams. There are also increasing support positions for administrators and in areas such as student affairs, athletics, and a growing array of revenue-generating enterprises. The University of California (UC), for example, is a research-intensive university system with ten campuses, including one medical school campus (UC San Francisco). Figure 5 provides data on all personnel at the UC, with the exception of staff at the various hospitals run by many of the campuses. The data show, in dramatic fashion, two major trends.



Most obvious is an enormous increase in the number of both faculty and administrators, which in part reflects overall growth in enrollment, in programs, and in the complexity of the modern research university. When Clark Kerr wrote his famous essay in 1963 on the “multiversity,” which described the growing functions and roles of universities, and the increased decentralization of the institution into numerous communities with numerous constituencies, it was a contemporary account. As indicated by these staff numbers, the sheer scale of the enterprise today might best be described as the “mega-university”—so large and complex as to defy easy definition although I will return to this issue later.

The second trend is the growth in support staff positions relative to faculty hires and retentions. The faculty to staff ratio in 1958 was 1 to .53; by 1996 it had grown to 1 to 2.4 administrators and support staff. After the Great Recession, and despite cuts in administrative staff and limits on faculty hiring, by 2011, the ratio declined marginally to 1 to 2.1.

What do these data indicate? One assumption, popular among faculty, is that it bespeaks huge bureaucratic growth.

There have been significant increases in staffing related to the growth in student services, including career counseling, health programs, housing offices, job placement staff, tutoring programs, community volunteer units, ombudsman’s offices, and various opportunities for athletic pursuits. This American university phenomenon, in which the university increasingly takes responsibility for a student’s life and guides their activities, reflects a tradition rooted in the idea of *in loco parentis* (Latin for “in the place of a parent”). But it accelerated considerably in the late 1960s and into the 1970s.

At the same time, federal mandates and funds for higher education also grew mightily in that same decade. This included funds for programs to recruit and support minority and underserved student populations, along with reporting requirements that required institutional research staff. Universities established new administrative positions at the vice president or chancellor level to oversee a growing number of sub-population-specific programs at a time of large-scale enrollment growth.

Another important influence on the growth of support and administrative staff was the activities of faculty. In the sciences and in engineering, research increasingly required teams of graduate and postdoctoral students, and support staff, and new centers and institutes were created in all the disciplines. Federal regulations related to research also spawned an increase in administrative workload including new budgetary reporting requirements and Institutional Review Boards that oversaw medical studies and experiments that included human subjects.

Figure 5 also includes medical faculty and staff and shows a large-scale increase in people and expertise. The story emerges of a significantly changed environment and organization—with the greatest change during the period 1965 to 1996—and more marginal growth after that reflecting perhaps budgetary constraints and rising student to faculty ratios.

A NEW “DEVOLUTIONARY” WORLD

Much of the analysis on the management behaviors of research universities in the US since the 1960s has focused on a series of efforts by university leaders to adopt ideas and management theory to the practice of running a campus. As state governments began to fluctuate in their funding support for public higher education, leading to a general decline in per-student funding when adjusted for inflation, universities looked for improved business practices and were told by politicians and business interests alike to adopt private sector management techniques.

The history of American higher education is full of examples of business interests influencing university management and operations. Thorsten Veblen famously complained in 1918 that captains of industry were infiltrating the lay boards of universities and demanding utilitarian goals and programs. They were a threat to the values of free inquiry and the ideals of a liberal education. To a degree generally not found in other parts of the world, American universities, and in particular public institutions, were established in part to help develop local economies.

But after a period of innovation in the early part of the 20th century (influenced by the public administration movement and in part develop by universities in reaction to Taylorism and similar efficiency movements), management practices in universities, including resource allocation, tended to be largely removed from changing management norms and fads found in the private sector.

Revenue in higher education, whether in the form of public funding, tuition and fees, or the rather meager income from endowments in both the public and private universities (up to the 1960s), tended to be distributed relatively equitably and related to student workload. Increased federal research funding was accompanied, beginning in 1958, by overhead rates established to cover the administrative and facilities cost, often used as a source of revenue sharing. Faculty salaries were largely similar across the disciplines (Finkelstein and Schuster, 2008). Two factors changed this dynamic:

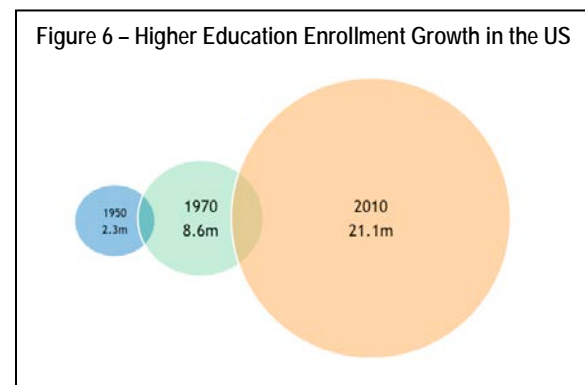
- First, the transition of an academic culture that moved from a broad sense of being part of a campus community to an increasingly tribal mentality, connected more explicitly to colleagues in research subfields in other institutions.
- Second, in the case of public universities, responses to declining public investment and changes in the academic culture helped launch new approaches to resource allocation and university management.

Academic Culture

It was a trend already in the making when Clark Kerr noted in 1963 that the modern research university had become not one but multiple academic communities. Christopher Jencks and David Riesman, both sociologists, added to this notion with their 1968 book, *The Academic Revolution*, stating that the Academy had been a parochial world, but was moving away from campus loyalties to those of their profession—and, more specifically, to affinities with colleagues in the same discipline (Jencks and Riesman, 1968). Tony Becher coined the term “academic tribes” each with their “traditions, customs and practices, transmitting knowledge, beliefs, morals and rules of conduct, as well as their linguistic and symbolic forms of communication and meanings they share” (Becher, 1989). Others have written on the effects of specialization and the increased pressure for faculty to produce research on academic culture (Boyer, 1990; Rosovsky, 1992; Massy and Zemsky, 1992).

Since then, it has been widely understood that the shift away from campus (i.e., employer) affinity has devolved (or evolved, depending on your view) to a much more finite group of sub-disciplines and specialties. This has been accelerated by three factors:

- Huge growth in enrollment and programs has created different dynamics and reinforces specialization, in which there is a critical mass of people in sub-fields, but usually in other institutions often dispersed throughout the world. In 1950, there were 2.3 million students in higher education in the US; by 1970, their numbers grew to 8.6 million, and by 2010, there were 21.1 million students (see Figure 6). At the same time, as elaborated on by Neil Smelser and building on



the notion of the multiversity, research universities have continuously added to their portfolio of activities—some in response to societal desires and demands, some related to an internal culture that seeks to expand the frontiers of knowledge. Smelser calls this *structural accretion*, defined as, “the continued addition of new functions and structures without shedding old ones” (Smelser, 2012).

Universities are in the business of growing, if not in students, then in programs and fields. Figure 7 offers evidence of the steady growth in science and engineering occupations, including academics, in the US workforce. The rapid expansion of knowledge production is evident in all fields, but particularly in the sciences where funding for basic research grew dramatically since 1958. Figure 8 illustrates joint authorships between faculty and colleagues abroad, one example of the increasingly global nature of academic networks.

- An information and communication technology revolution that facilitates new academic, professional, and social networks both domestic and international.
- Increased university interaction with the private sector and the process of technology transfer that has enlarged or reshaped faculty and student interaction.

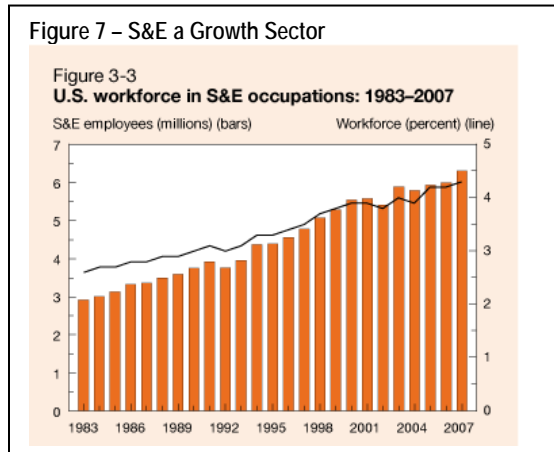
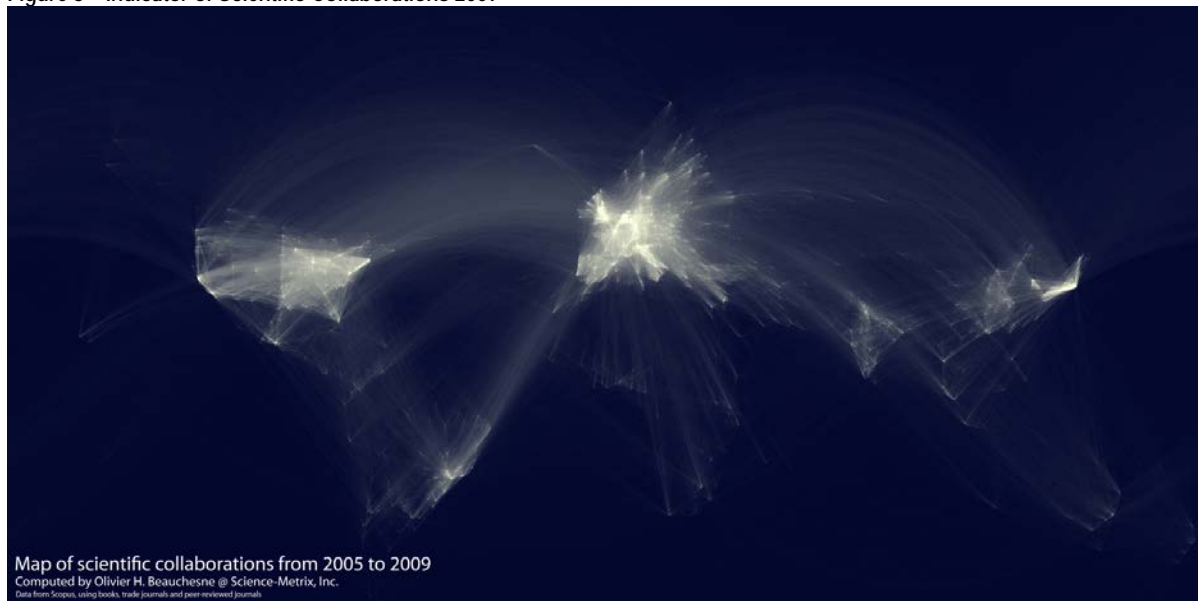


Figure 8 – Indicator of Scientific Collaborations 2009



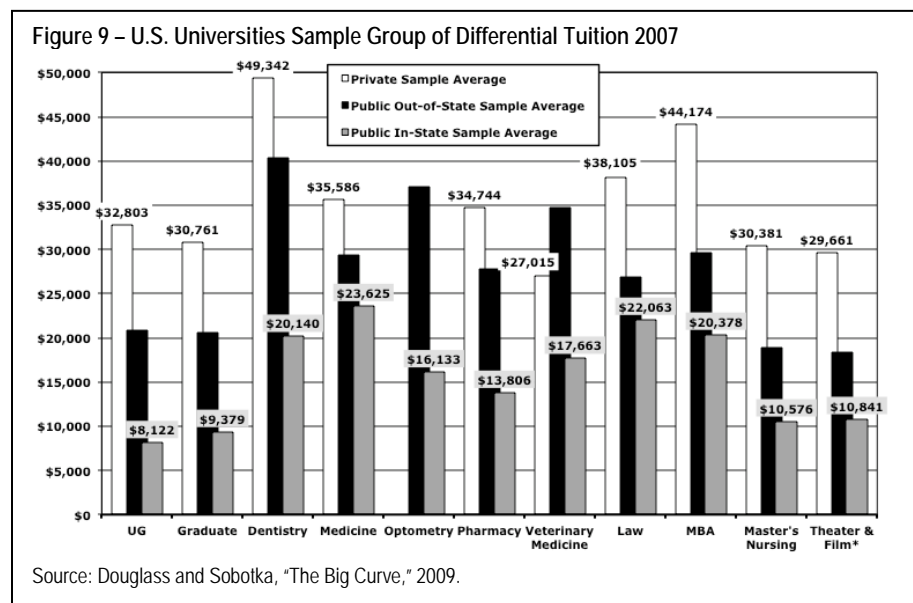
New Management and Resource Allocation

With increased external pressure by governments emerging by the 1970s to “do more with less,” university administrators increasingly looked to business for methods to improve efficiencies and practices. University planners and administrators attempted to adopt business models including ePlanning, Programming, and Budgeting System (PPBS), Zero-Based Budgeting (ZBB), Management by Objectives (MBO), Strategic Planning, Total Quality Management/Continuous Quality Improvement (TQM/CQI), Business Process Reengineering (BPR) and Benchmarking. As noted by one early critic, these “fads” may “arrive at higher education’s doorstep five years after their trial in business, often just as corporations are discarding them” (Marchese, 1991, p. 7).

Ultimately, the largest effect of these various management techniques was seemingly marginal and mostly provided temporal influences on the (primarily non-academic) business practices of universities, including functions such as accounting and payroll, and accountability frameworks. On the academic side, greater influences are at play reflecting market forces and where and how

resources are allocated. In this view, the adoption of various management practices, like Zero-Based Budgeting financing, are reactions to realities on the ground rather than grand efforts to reshape the behaviors of faculty and an increasingly powerful sub-group of departments and schools. This includes both old and new trends—what might be viewed as acceleration of the tribal character of major US research-intensive universities:

- Increased costs for developing robust science and engineering programs.
- A correlating increase in the influence of faculty and academic leaders in S&E fields on resource allocation and setting the priorities of institutions.
- Elevated competition for top faculty with unequal payroll and start-up costs (laboratory equipment, housing assistance, etc.) among the disciplines.
- The development of large disparities in faculty salaries among the disciplines and professional fields.
- Increased focus on academic *profit and loss*, and *prestige centers*—essentially academic departments and schools that generate profits via tuition income, research revenues, and gifts and endowments versus programs that either “lose” money or break even.
- Movements toward *differential fees* among degree programs that reflect perceived market price opportunity that are largely divorced from actual program costs. Figure 9 provides an example of differential fees among a select group of 30 public and private universities in 2007—before the Great Recession and increased tuition and fees imposed by public universities. (Douglass and Sobokta, 2009).
- Growing differences in the academic experience of students in part due to an increase in disciplinary curricular requirements despite the American concept of General Education, contributing further to different academic cultures (Brint *et al*, 2008).



A FEW CASE EXAMPLES

The following provides a few case examples that help illustrate aspects of this Devolution or fragmentation.

The Unraveling of the Faculty Ladder

The success of the University of California as one of the top research institutions in the world is in part due to an early devotion to a peer review process for faculty hiring and advancement. In the immediate period following World War II, faculty positions were categorized by the traditional roles of assistant professor (the normal entry position with a period of approximately five years before granting tenure), associate professor, and professor. Within each title, five to six “steps” set salary scales. UC has long had a system of “post-tenure” review.

This meant that a department chair and its dean submit a recommendation for a faculty member to be reviewed based on research productivity, teaching record, and contribution to public service. At each of the three professorial levels, faculty were expected to provide evidence and gain support via a faculty-driven process of review with escalating expectations in order to reach the status of full professor. This contrasts with a civil-service advancement approach primarily determined by time on the job common among many non-research intensive universities in the US and in much of the world.

A similar structure of assistant, associate, and full professor, with a period and process of evaluation of merit required for advancement, can be found in other major public research universities US, although very few have such a detailed step system

or as rigorous a post-tenure review process. The main difference today from earlier eras of university development is that, up to 1968, all faculty in all disciplines and professional fields had the same salary levels, with the exception of health sciences. In the growth eras of the 1950s and 1960s, in which the ranks of faculty grew tremendously fast, the majority of faculty were hired at the level of Assistant Professor step 1. And while some faculty, in the course of their academic career, gained offers from other universities and left, faculty mobility was relatively low. Most faculty served their entire careers at the campus where they were first hired.

Within the UC system, this hiring and advancement process created a relatively stable environment for resource allocations for faculty positions and setting salary levels. It also fostered a sense of equity and common expectations for advancement and a required course workload among faculty, with some differences between the sciences and the social sciences and humanities.

Three factors, however, are currently eroding the faculty ladder at UC. First, the market for faculty has changed significantly depending on field and expertise. In the UC system, in 1968, law was the first professional field outside of medicine that sought and gained its own faculty salary scale with higher salaries. It's a familiar argument: to attract talent to the field, law schools needed to offer salaries similar to those found in the private sector. Business and engineering schools soon gained their own faculty ladder. With a very different stream of income via clinical services, the salary of medical faculty also began to diverge even more significantly from other faculty.

Thus far, large differences in the salary scales of faculty at major research universities, like UC, have been in professional programs: business, engineering, law, and medicine. But there are indicators that other departments and schools, particularly in the sciences, may soon claim the need for special salary scales. The path to higher salaries, so far, is linked to a second factor: decreased public investment in higher education and the resultant depressed faculty salaries. Faculty pay increases have not kept up with inflation or with comparable private institutions in which UC campuses such as Berkeley must compete. As a result, departments gain approval to hire new faculty at elevated steps. For instance, a young faculty member in a hot field of research in the social sciences, for example, might be offered an assistant professor position at an off-scale salary at step 3, step 5, or even higher.

A third and related factor eroding the concept of a uniform faculty ladder at UC is the increased demand and costs for academic stars, many of who demand low teaching workloads and other special privileges and resources. "Teaching loads have dropped significantly in engineering and the natural sciences during my career," notes Karl Pister, a long-time faculty member in civil engineering at UC Berkeley and a former Chancellor at UC Santa Cruz. In the sciences, faculty hires are also determined by promises of precious lab space and investments for equipment and graduate students. Major research universities are spending far more resources searching for top faculty talent—often at the mid-career and senior level, where faculty mobility is much higher and more international today than in earlier eras.

Business Schools Going It Alone—The Darden Business School

In 2003, the Darden Business School at the University of Virginia (UVa) became a formally "self-sufficient" unit. UVa still conferred degrees, but most other aspects of operating Darden, including financial management, were devolved to the school. In negotiations that included the university's president and lawmakers, this unprecedented level of autonomy was granted based on the argument that Darden could not compete with other major business schools without greater authority to charge market tuition rates previously regulated by state government and to set attractive salary rates for faculty (Kirp, 2003).

Both business schools and continuing education programs have been at the forefront of the movement (both in the US and internationally) to gain differential fees and develop and market targeted degree and credential programs—specifically executive MBAs—with high profit margins. Such revenue combined with the plan to increase extramural fundraising and endowment development would create the basis for meeting the escalating costs of competition with perceived peer business schools. At the same time, business schools across the nation also have been striking deals with their university administrations to keep more of the rising tuition rates they charge.

In 1960 the revenue-sharing model (intended to support a comprehensive university) was based on uniform fees: tuition income went to a centralized pool and were redistributed in a fashion that supported, relatively equally, the breadth of required academic programs for a comprehensive university. In public universities with long histories of serving local and state labor needs, this often included degree and credential programs that were more expensive than others and in which student demand was conditioned by tuition and fee costs yet the social good remained high as in nursing.

In the modern era, the model largely forged by business schools was based on retaining as much tuition revenue as possible. With the new model at UVa, Darden's Dean, Ted Snyder, negotiated what he termed a university "tax" on tuition revenue

charged by the school to a mere 10 percent. At the time, other major business schools had cut deals for higher central tax rates: the University of Michigan's business school paid 24 percent of tuition revenue to the university; at Emory, a private university, the rate was 40 percent. Snyder had first considered proposing a rate of 5 percent, but he was looking for a number that would help mitigate expected resistance by other deans at UVa.

Built on the brand name of UVa, and after decades of investment under the revenue sharing principle, Darden essentially became a separate—and prosperous—corporation, gaining in reputation, with a new high-end campus necessary for charging top dollar for an MBA and executive programs. Darden also provides an example of decision-making in which deals struck under circumstances of a university's financial stress then set precedent. There is no turning back. The success of the dean and faculty at Darden also provided a high-profile example for other business schools, along with law schools, further accelerating the devolution pattern not just in the U.S., but internationally.

In part influenced by the success of Darden, The University of Virginia announced recently that it is moving toward a decentralized internal finance model that vests responsibility for revenues and expenses with individual schools and colleges rather than the university as a whole, a move designed to drive deans to find additional revenue streams and operate their units more efficiently. This approach sometimes is referred to as "every tub on its own bottom" management with influential versions at Harvard, the University of Southern California, and an earlier and failed attempt at UC Los Angeles. It is devolution with social-Darwinian effects: individual units, such as schools or colleges, keep most of the money they bring in, but must also pay for whatever expenses they incur. They swim or sink with at least one anticipated result: loss centers may not survive.

A Law School Privatizes and Takes on Debt

In 2005, Chris Edley, the dean of UC Berkeley's famed Boalt Hall School of Law, wanted additional revenue to compete for high-profile faculty and upgrade buildings that seemed stuck in the early 1970s or before. Coming from Harvard's wealthy law school to UC Berkeley was perhaps a bit of a shock. Edley proposed that Boalt be allowed to match the fees charged at the University of Michigan, an institution like UVa, at the vanguard of the public university privatization movement—what can be defined as less government funding, more institutional autonomy, greater authority to raise tuition rates (charging both in-state and out-of-state/international students the same rate), and greater freedom allocating income.

State funding had faded from 60 percent of Boalt's budget in 1994 to 30 percent in 2005. The decline had been largely mitigated by higher tuition. Even with a differential fee structure in place since the early 1990s, California residents paid just under \$22,000 a year in 2005 to attend the law school, about double the rate four years earlier. Annual out-of-state tuition was nearly \$34,000, creating increased incentives to recruit (Hong, 2005).

The University of California system (a network of ten highly ranked research universities) had a proposal before its Board of Regents for a 5 percent increase for all professional schools, an attempt to maintain uniformity in fee levels, with the exception of the already largely independent business schools. But Edley argued that was too restrictive for Boalt. Before the Regents, Edley stated, "We're not narrowing the gap. The gap will continue to widen and that seems to be to me fundamentally unacceptable." It was "a prescription for, in the long run ... a second-rate law school" (Kawaguchi, 2005). Failure to raise tuition rates would be a huge lost opportunity, Edley explained. To mitigate the impact on students from lower-economic families, Boalt's redistributed a portion of the increased tuition income in the form of financial aid.

The Regents approved the proposal. Edley also cut a deal with UC Berkeley's chancellor in which Boalt would keep most of the new revenue, reflecting similar deals at UVa and the University of Michigan. A year earlier, and shortly after arriving from Harvard, Edley announced a campaign to raise \$100 million. It was a staggering sum for Boalt; the school's last capital campaign wrapped up in 1992 after raising only \$14 million.

Adding to Boalt's story was a subsequent shortfall in the fundraising campaign, along with significantly rising operating expenses (deemed a necessity for maintaining Boalt's status of a top law school). Edley and UC Berkeley campus officials assumed large increases in extramural revenue when it began a building and renovation plan initially projected to cost \$60 million. Shortly before construction began, it became apparent that fundraising in the midst of the Great Recession would not fully cover the rising costs for the project now estimated to cost \$90 million. With no other source of funding available, the dean and Nathan Brostrom, the new Vice Chancellor for Administration and a former executive at JPMorgan, then developed a proposal to gain a large loan from private creditors with collateral based on future tuition income. Brostrom drew on his knowledge of corporate financing to help develop what was, up to then, an unusual proposal.

Returning to the Board of Regents, the UC Berkeley campus first requested an increase in Boalt Hall's tuition by about 19 percent and then returned again to the Board with a proposal for an \$84.2 million external loan with debt service paid by fee

income and \$5.8 million from Boalt's fundraising campaign. It was estimated that some \$5.95 million per year of future tuition income would pay the debt service of the loan (UC Board of Regents, 2008).

The Regents approved the proposal and, by the beginning of 2012, the capital project was nearly completed, significantly enhancing Boalt's facilities and allowing for marginal increases in enrollment. This was the first such deal at UC in which future tuition income for a single unit funded a capital project, although there are perhaps similar ventures by professional schools at other major universities. Such external funding arrangements represent an additional wrinkle in the path toward devolution in which resources are increasingly localized in profit and prestige units. Focused on income sources among individual academic units, such deals are likely a growing model in US public universities.

But the Boalt story also relates to ambitious expectations on fundraising capacities of universities that may not always come true, despite the remaining financial liability. Currently, UC Berkeley also has an ambitious capital project to renovate and expand its football stadium and various support facilities for its athletic programs. The construction is nearing completion, but the fundraising campaign, in part tied to ticket sales, is lagging. Campus administrators have provided assurances that there is still time to raise the remaining funds, but if they do not, the remaining liability might need to be drawn from general operating funds. This is not to say that such financing schemes are not appropriate: they are the markers of relatively new financing efforts that carry risk. What is the appropriate level of risk? This is a question that universities still need to determine.

A GLOBAL TREND?

Boalt Hall, the Darden Business School, and the unraveling of the faculty salary ladder at the University of California are a sampling of various behaviors rooted in financial challenges and the changing market for degree programs and faculty recruitment. While beyond the scope of this brief study, there are other behaviors that would be informative to explore. This includes a relatively new "re-charge" culture, or what is sometimes called Responsibility Centered Management, in which goods and services offered at one time by the university, at no direct cost, are now being itemized and charged supposedly at cost (but sometimes seem inflated as units strive to create surpluses). Another is the effect of a growing regulatory regime linked to federal and state mandates, but also internal auditing and values. And yet another variable are the organizational behaviors shaped by America's litigious society and by increased rights granted to employees of universities. Although difficult to measure, these are growing influences on the university environment—some good, some bad.

Is the process of *Devolution* a particularly American phenomenon? Perhaps the stronger sense of community once prevalent in campuses by the sense of collective effort in expanding academic programs and growing enrollment, and reinforced by budget allocations, is a relatively unique American phenomenon. The sense of loss, or regression into a more fragmented academic milieu, is therefore more pronounced. Perhaps it never really existed in many other nations where the primacy of the department or faculties in various fields has been more significant, reinforced to some degree by the lack of general education requirements that spread course workload, and funding, among the academic fields. In Japan, for instance, the supremacy of faculty and their departments and schools, has long ruled, seemingly impervious to campus-wide coordination or even government policy initiatives.

Under a plan to expand the authority the presidents of elite national universities, Japan's ministry of education changed the status of these institutions to corporate entities under a familiar formula: give the university and its academic leader more autonomy but also the burden of a greater accountability regime. All evidence suggests that there has been no major shift in authority or power internally—thus far. One sees similar ministerial efforts to empower the academic heads of French and German universities. As Georg Kruecken has observed, "The university as an organization is transforming into an organizational actor, i.e., an integrated, goal-oriented, and competitive entity in which management and leadership play an ever more important role." This seems to point to greater centralization of authority and perhaps the promise of greater cohesion within university communities, even if one result is the infiltration of private sector acumen about budgets and operations that some may not find completely admirable (Kruecken 2011).

There is a significant and growing literature beyond the initial studies by Kerr, Jencks and Riesman, and Tony Becher, which focused on the American scene; it now includes international comparative perspectives (Kruecken and Meier, 2006; Musselin, 2009; Oslen, 2010, Scott, 2010). There is a distinct difference in the experience and viewpoint that focuses on the power and influence of central governments in shaping organizational behavior with a different starting point in places like Europe, in which universities have not been as historically engaged as agents of economic development and socioeconomic mobility as their American counterparts. In the viewpoint of European critiques, for example, an "academic oligarchy" of faculty narrowly concerned about their research ruled the day and only recently has succumbed to a numbing series of edicts from government to drag it closer to the "market" (Clark, 1998; Ritzen, 2010). This is a story line that simply does not apply to America's public

universities that have always had in their DNA the idea of promoting socio-economic mobility and economic development as part of their public mission and portfolio.

At the same time, however, some of the elements of *devolution* are common, found throughout the world. There is convergence. US research universities are perhaps a bit ahead of the curve in some aspects—like differential fees, different salaries for different faculty, entrepreneurial funding schemes for capital outlays etc.—but it does seem to be a curve that is relevant or emerging in most parts of the world.

There is much more commonality and convergence than growing differences in organizational behavior. But one might speculate that the causes are somewhat different. One global cause is the quest of ministries to create so-called “world class universities,” focused largely ranking systems that rely on citation indices, patents and licenses, and reputational surveys. The push for improved rankings by ministries, along with their desire for greater differentiation within national networks of universities—where often the rush toward creating mass higher education systems results in statements and national allocations of funds under the ruse that all universities were equal in status, in quality, in productivity—are changing behaviors of faculty, academic leaders, and their staff. The establishment of quality assurance offices within universities throughout the globe, and matrixes to judge the performance of faculty and departments, attest to changing behaviors.

Finally, if we view the process of privatization and increased fragmentation of resources as the result of a rational response of the Academy, and specifically of research universities, to a more market-oriented environment, then arguably this *devolution* is, in fact, some sort of evolutionary process. Either way, it is not a process yet completed. It might mean, for example, that despite the tricky problems posed by tenure, some sub-set of academic programs may increasingly appear as expendable; that faculty salaries will become increasingly differentiated; that the profit and loss centers, and prestige faculty and departments, will become more pronounced. It means that the idea of the comprehensive university, with a broad array of disciplines, and with quality across the board, will be an increasingly rare or at least a difficult-to-achieve commodity. But that is only speculation.

Universities have been extremely robust institutions over time, adapting to societal pressures and funding changes. *Devolution* may be simply another phase that alters, but does not fundamentally change, core practices and missions. That is speculation as well.

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