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# Convergence or Divergence in International Higher Education Policy

## *Lessons from Europe*

Higher education in Europe is undergoing major restructuring. Since the early 1990s, governments in many European countries have changed the higher education market. Changes include deregulation and decentralization of decision making, growing institutional autonomy, creation of a competitive educational market, and initiation of market-like behavior in institutions. The major source of those movements is often new public management. Institutional responses include strengthened leadership structures, new faculty governance models, enhanced quality-control mechanisms for accountability, and personnel development programs.

This paper will present a summary of the major reforms and trends in Europe, including institutional responses. Special attention will be given to the idiosyncratic nature of some of the strategies. For policy makers, university leaders, and higher education researchers, this paper attempts to provide insight into similarities and differences between European trends and U.S. practices, thereby offering lessons for those on both continents.

European higher education has been under reform for over a decade. Because most of Europe is characterized as a public system, the state ministries are often responsible for transformation and change at the institutional level (Sporn 1999c). As Burton Clark pointed out in his comparative study, European systems have tended to be top and bottom heavy, with a weak midlevel (Clark 1983). Changes starting in the early 1990s have triggered a new distribution of power, thereby strengthening the middle, namely, institutional leadership. Many state ministries have granted autonomy by creating governing boards, establishing performance contracts with the institution, and providing strategic objectives.

Often those reforms have been accompanied by notions of new public management (NPM) (Ferlie, Ashburner, Fitzgerald, and Pettigrew 1996) and by looking at the U.S. system for guidance (Rhoades and Sporn 2002a). Neoliberal, economical, and managerial-oriented models have emerged from the range of policy development processes in Europe (Gumport 2000; Teichler 1996). On the one hand, the major player has been the state (represented through ministries) work-

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ing to reform the public higher education sector (Gornitzka 1999). NPM has identified problems, including inefficiency, over-regulation and bureaucratization, and inflexibility. Cutbacks in state budgets, as well as EU policies to reduce public debt to zero, have added gravely to the pressure to reform. On the other hand, policy makers used the U.S. model of higher education as a basis for thinking about change. Many elements of the reform resemble U.S. practices—such as strong leaders, governing boards, quality and accountability, and performance-based budgeting (Rhoades and Sporn 2002a).

Still, the reform process has at times been idiosyncratic. In particular, the discussion has been dominated by the notion that the relationship between the state and the institutions first needs to be resolved or improved—more so than the market (Henkel and Little 1999). To take Austria as one example, the goals of the reform followed five major themes:

- Reduction of regulations
- Increase in competitive pressure
- Strengthening of university leadership
- Decrease in internal governance
- Strategic goals posed from outside the institution (Titscher et al. 2000, 71)

As this list demonstrates well, a mix of elements of the U.S. model and NPM played a role in the process.

The Austrian goals should be achieved by initiating reforms in three major areas: personnel, finance, and decision making. It is interesting to note that these areas represent key cornerstones of universities. We need a new management philosophy and its instruments—information systems, evaluation, and financial control—to implement the reform (Titscher et al. 2000). Generally, the real driver behind most reforms in Europe has been the effort to make the institutions more competitive, entrepreneurial, or market-oriented (Clark 1998a). The implicit goal has been for the state to cut costs—through block grants, newly introduced tuition fees, and the call to raise funds

at the institutional level—in order to comply with international EU standards and a new neoliberal policy. The method becomes clear: withdrawal of the state through the regulation of markets and the granting of autonomy.

## Part I: New Public Management in Europe

Many European countries have experienced a wave of approaches to reform based on NPM. Basically, the idea has been to restructure the public sector in order to make it more efficient and effective. Underneath lies the concurrent objective of reducing state spending. As a consequence, organizational transformation and change have taken place on a large scale, encompassing, for example, institutions in health care, education, social services, and criminal justice (Ferlie et al. 1996).

NPM, which uses the United States as a model, has been especially prominent in the United Kingdom and the Anglo-Saxon world. Still, continental Europe caught up quickly in the late 1990s, making use of previous restructuring efforts. Most continental European reform of higher education has involved prominent U.K. scholars and policy makers (e.g., Bauer, Askling, Gerard-Marton, and Marton 1999; Brennan and Shah 2000; Kogan, Bauer, Bleiklie, and Henkel 2000).

During the 1980s and 1990s changes in the public sector—especially in the United Kingdom, but also elsewhere in Europe—included trends toward privatization, increased managerialism and marketization, attempts to establish quasimarkets, the rise of cost-consciousness (i.e., providing “value for money” or doing “more with less”), the use of performance indicators, auditing systems and central monitoring, and the management of change by high-profile chief executive officers in charge of public institutions. As a consequence, the political economy of the public sector shifted. This entailed erosion of the power of unions and professionals and gains in importance of managers and nonexecutive, nonelected directors, while

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the role of the user was unclear (Ferlie et al. 1996).

NPM applied to higher education took yet a different pathway. For example, in Sweden, state policy makers used the total quality movement to restructure higher education (Bauer and Henkel 1997; Stensaker 2000). This meant granting institutional autonomy to institutions to enhance their self-regulating capacity and eventually transform Swedish institutions into learning organizations. Quality has been defined according to indicator-based performance measurement. Results of those assessments would then be played back to the institutional leadership and trigger improvement. In this sense, Sweden was attempting to establish a continuous quality improvement process. Competition was created by expansion and differentiation of institutional forms. At the same time, homogenization developed in order to enable comparisons and mobility (Askling, Bauer, and Marton 1999; Bauer et al. 1999).

In Norway, NPM fell on fertile ground in higher education (Bleiklie, Hostaker, and Vabo 2000; Stensaker 2001). Efficiency measures, decentralization of authority to the institutions, and performance targets have been used to enhance higher education institutions. As a consequence, much of the planning and budgeting process has been standardized in response to specific requirements. Management by objective has been implemented to redesign the relationship between the state and universities. In both Sweden and Norway, university reforms have touched just the surface: Research shows that much of the behavior at the department and individual faculty level went unchanged (Kogan et al. 2000).

One other example is the United Kingdom, one of the most prominent reform models in Europe (Kogan and Hanney 2000). There, the quality movement has been especially powerful. If we consider only the number of centers, programs, publications and journals, and individual faculty members specializing in this area, the prominence becomes evident. Quality assurance efforts there involve both teaching and research (Yorke 2000). Teaching has been assessed on a regular basis through external audits and peer reviews, creating a stronger orientation toward student values and a rise of administrators involved in teaching improvement. On the research side, quality has

been ensured by implementing a “Research Assessment Exercise” (RAE). As a result of clear indicators and resource allocation based on research performance, academic cultures and managerial values have changed dramatically (Henkel 2000; Kogan 1999). Hiring and promotion of senior professors and faculty now requires a rigid publication record at all levels. Research shows, however, that these reforms have been implemented only superficially and that the intended shift in values has not occurred (Henkel 2000).

As these examples demonstrate, NPM can be interpreted differently in varying contexts. Thus, it seems helpful to present a typology of NPM approaches that can be used to assess policies in higher education.

### ***Models of New Public Management***

Researchers have developed four NPM models representing different stages and points of departure (Ferlie et al. 1996). Three of the four models are oriented toward a private business metaphor; the fourth is based on an NPM tradition.

The earliest model—*the Efficiency Drive*—emerged in the 1980s. Its goal is to make the public sector more businesslike, focusing mainly on efficiency without regard to the idiosyncratic nature of the public sector. Major themes include increased attention to financial control, a stronger managerial spine, extension of financial and professional audits, increased emphasis on provider responsiveness to consumers, deregulation of the labor market, reduction in the self-regulating power of the professions, more entrepreneurial management, and new forms of corporate governance and boards of directors (Ferlie et al. 1996).

The second NPM model—*Downsizing and Decentralization*—emphasizes flexibility and unbundling vertically integrated organizations. Large organizations are typically downsizing, contracting out, and splitting up internally into more autonomous business units. This model, which gained rising importance in the 1990s, uses some key indicators: emphasis on quasimarkets, management by contract, a small strategic core and a large operational periphery, delayering and downsizing, split of public and private funding, management by influence and networks, and service by flexibility and variety (Ferlie et al. 1996).

The third NPM model—*In Search of Excellence*—is obviously influenced by best-selling U.S. books on the human-relations school of management, with a strong emphasis on organizational culture (Deal and Kennedy 1981; Peters and Waterman 1982). This model differentiates between bottom-up and top-down approaches: Bottom-up approaches can be characterized by organizational development and learning, an organizational culture as a social “glue,” top-down backing for bottom-up initiatives, and decentralization with result-based performance measurement. Top-down approaches stress culture change through top-down vision, managed culture change, charismatic leaders, private-sector role models, intensive corporate training programs, explicit marketing and communication strategy, and a more assertive and strategic human resource management function (Ferlie et al. 1996).

The fourth and least-developed NPM model—*Public Service Orientation*—represents a fusion of public and private management ideas: Public sector managers should be empowered through an emphasis on a public service mission compatible with high-quality management derived from best practices in the private sector. Indicators of this NPM model include a major concern for service quality, a reflection of user concerns and values, a desire to shift power back to local elected bodies, stress on the development of societal learning, and maintaining a distinct set of public service tasks and values. Organizational learning and total quality management can still play a latent role, often in a normative form within public organizations (Ferlie et al. 1996).

### **Higher Education Reform in Europe**

Europe has witnessed major reforms of its public higher education system. Generally, trends encompass a move toward institutional autonomy, including new organizational forms of leadership and governance; expansion and diversification of higher education; harmonization of degree structures and programs; marketization, including privatization, financial management, and entrepreneurial activities; and the quality movement, including measures for accountability, performance, and accreditation (Sporn 1999b). A demand-response imbalance developed as a result of these massive changes, implying that

external needs and requirements have no corresponding institutional offerings (Clark 1998b; Sporn 1999a). Institutions have been working on new strategies to adequately deal with the challenges they face:

*Institutional autonomy.* Institutional autonomy in Europe implies a changing relationship between the state and universities and is often based on NPM principles. Hence, the state has moved to a supervising role by delegating much of the decision-making power to the institution’s leadership and governance. On the one hand, rectors, deans, and directors have been empowered as influence has been redistributed to the top of the institution and away from the individual chair professor. On the other hand, boards have been created to represent taxpayers’ interests and the general public as the “owner” of higher education. University senates themselves have been losing power—the extreme case being in the Netherlands, where the senates’ roles have been cut to advisory (Asking 2001; De Boer 2001).

*Expansion of higher education.* The expansion of higher education refers to widening access to colleges and universities (Altbach 1999; Scott 1998). Triggered in part by the Bologna declaration,<sup>1</sup> European states began to realize that an educated population would improve their economies. They have implemented new types of higher education institutions, including *Fachhochschulen* (vocational training colleges), virtual universities, specialized colleges, and private universities. Expansion and diversification have greatly increased the competitive environment for universities.

*Harmonization.* Harmonization is strongly related to internationalization of European higher education (Scott 1998; Teichler 1998), envisioning a new European area of learning when students and scholars can more easily move across institutions, allowing more competitive pressure. Further, institutions throughout Europe are in the process of replacing the traditional academic program structure—with students moving directly from high school into a specialized education—with a two-cycle structure of baccalaureate and master’s programs followed by doctoral studies. Additionally, postgraduate and continuing education have become more important, both as an institutional revenue stream and to fulfill the job market’s need

for lifelong learning (De Wit 2000).

*Marketization.* Marketization is probably the most dramatic change in European higher education. Many researchers have noted the move of colleges and universities toward more entrepreneurial, adaptive, and market-oriented behavior (e.g., Bauer et al. 1999; Clark 1998a; Sporn 1999a; Wasser 1990). At the system level, the higher education market has become diversified, and student and staff mobility has increased. This implies competition among institutions for all kinds of target groups. At the institutional level, marketization means privatization, in that it is pushing universities to adopt more private industry mechanisms, such as financial controls and accounting, or a profit-center philosophy within the institution. Professors and staff are becoming more entrepreneurial. Revenue sources are becoming more diverse, with tuition being just one source. Finally, longer-term, performance-based budgets are creating the need to establish financial management techniques.

*Quality.* Quality is one of the strongest reform issues in Europe. Researchers in Scandinavia and the United Kingdom, in particular, have been analyzing quality-related trends in great detail (Bauer and Henkel 1997; Brennan and Shah 2000; Jeliaskova and Westerheijden 2002; Stensaker 2000; Yorke 2000). Results show that the quality movement has both an internal and external perspective (Van Vught 1995). Internally, quality issues deal with the increased need to assess performance. Most prominently, teaching has been subject to standard evaluation. Although this may be standard procedure for many U.S. institutions, Europeans have had to become accustomed to this practice. The use of evaluation results is still mixed, ranging

from promotion and tenure decisions to individual self-reflection. Assessment of the quality of research is a much more contested matter at most European universities. Publication records, grant proposals, or involvement in professional activities have only recently received attention, as historically most promotion decisions have been based on monographs. As the scientific community is becoming more international, this behavior is changing dramatically. The quality of administration, on the other hand, is still ignored or largely neglected, as few approaches exist to evaluate the performance of administration in many European countries (Rhoades and Sporn 2002a).

Externally, quality concerns entail accountability measures and accreditation procedures. As many state ministries have withdrawn from their traditional role, new procedures had to replace their past authority. Institutions of higher education are becoming more accountable for their activities—that is, they now have to report to their boards about their yearly performance. Further, performance-based budgeting requires universities and colleges to manage efficiently and to deliver services defined by a contract (Harvey 1997).

Accreditation is a new phenomenon in Europe and is strongly connected to issues of quality. Different organizations and institutions offer services, ranging from support with self-assessment to quality control. Their techniques include site visits by peers (peer review) and institutional self-studies followed by suggestions for improvement. One example of such an organization is the EAU (European University Association) located in Switzerland.<sup>2</sup>

Established associations also offer their services to members, using special techniques and accrediting individual programs or entire institutions. A market is developing for a “label” of quality—not unlike the U.S. system. Examples include EQUIS (European Quality Improvement System),<sup>3</sup> mainly focusing on institutional accreditation, and FIBAA (Foundation for International Business Administration Accreditation), which specializes in accrediting business-oriented programs, mainly in Germany.<sup>4</sup> Also, AACSB (Association to Advance Collegiate Schools of Busi-

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ness) is quite active in the European market, which is especially interesting to those universities seeking to be globally competitive.<sup>5</sup>

### ***Institutional Responses***

The broad reforms in European higher education described above have generated significant institutional responses. In general, external stimuli—for example, ministerial mandates and financial controls—have been designed to transform European systems into self-financed,

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high-performing institutions operating in a competitive market. Universities and colleges, however, largely have been overwhelmed and ill-prepared to manage the new demands placed on them (Clark 1998b). The challenge has been to transform quickly while dodging such upheaval as mergers and closures. One very prominent example is the planned merger between the University of Duisburg and the University of Essen.<sup>6</sup> Policy makers have pushed for this merger to build a higher profile in the region, but many faculty members and administrators have opposed it, decrying the clash of academic and economic values and norms. The results of this planned merger are still unclear.

In a nutshell, institutional responses in European higher education systems include strengthened leadership positions, new university boards, new decision-making structures, accountability measures and evaluation, quality control, professional staff development, and performance contracts and global budgets.

*University leadership.* University leadership has been strengthened throughout Europe due to the state's withdrawal and the delegation of authority to the institutions. The rector, once elected by the senate, is now appointed by the board, with many more responsibilities and enhanced decision-making power. Rectors are still often fac-

ulty members chosen from within the institution, but this will change as competitive pressures and the need to hire experienced professional managers increase. At the same time, many faculty members do not see the job of rector as desirable or interesting, and it is often hard to find candidates inside the institution. Vice-rectors, deans, and department chairs are also becoming more important, as they have the power to make far-reaching personnel and budget decisions.

However, "university managers" are hard to find in Europe as a result of a poor job market, a lack of training programs for such positions, and comparatively low salaries. This situation is changing slowly as university leadership is becoming crucial and institutions need professionalized management. Some European universities (e.g., Oslo, Kassel, and Twente) have begun to offer training programs for universities managers.

*Governing boards.* The second and more drastic change is the establishment of governing boards (Weiler 1998), which generally function as overseeing and governing bodies with the ability to control activities of the rector and vice-rectors. Their agendas include such tasks as the election of the rector, the approval of strategic plans and budgets, and discussions of future institutional activities. Internally, boards will become an integral new part of universities, with influence over many areas, such as teaching and research. Externally, boards will serve as buffers between the institution and the public or the ministry representing the public interest. Board members normally are recruited from both the public sector (representing the ownership of public higher education) and the private sector, depending on the specific profile of the institution. It will be critical for universities to select this group or at least influence the selection process. Because the boards are rather small—in Austria, from five to nine persons—discussion and screening processes will be intense.

*New decision-making structures.* Closely related to institutional leadership issues are the new decision-making structures. With the rise of NPM and the neoliberal approach to reform, democratic traditions within the universities have been scrutinized. The major problem has been the number of committees at many institutions and

the long process of decision making. Often, the many groups involved in one decision prolong the negotiation period substantially. While this may be necessary for “strategic” problems, it also affects operational decisions, such as the purchase of computer systems or the renovation of buildings. Reforms have changed this situation by dividing strategic and operational issues between governance bodies, mainly the senate and leadership positions, such as rector, dean, and vice-rector (Müller-Böling, Mayer, MacLachlan, and Fedrowitz 1998). More congruence between accountability and decision-making power also has been created to increase the quality of decisions. In some cases, the senate has been reduced to a purely advisory body, such as in the Dutch system, where rectors often install a small group of faculty as senior advisors to secure faculty backing (De Boer 2001). In Austria, the faculty still has some power, especially in areas that matter most to them, such as study programs and research funding. All other matters have been moved to the rector’s level.

Proponents of these changes argue that only through quick and accountable management decisions can a university be turned into an entrepreneurial and competitive institution. Such changes often create skepticism and distrust, though, and thus maintaining a good relationship between faculty and administration and management is proving to be an enormous challenge.

*Accountability.* Since state ministries have delegated most decisions to colleges and universities, accountability has become increasingly important. Some of the instruments used include performance reports by institutions and departments, standard evaluation of research and teaching, and periodic external reviews. Parallel, buffer organizations (e.g., accreditation agencies and national advisory boards) are also assessing institutional performance and reporting back to the ministries.

*Quality control.* Quality control involves core processes in teaching and research. Many European countries have implemented teaching evaluation, using standard questionnaires for course and teacher evaluation, although use of results varies considerably. While some countries require student evaluations as part of an annual faculty review, others use them purely for self-reflective purposes, relying on the intrinsic motivation of the faculty to improve.

A more contested topic is the evaluation of research. Public policy makers and sponsoring foundations increasingly require indicators to evaluate an institution’s research output. General trends include a focus on U.S. practices, particularly refereed publications and journals and research grant proposals as a basis for measurement. One prominent example of research assessment is found in the United Kingdom (Henkel 2000), but faculty in continental Europe are used to a quite different system: Journals are not ranked according to referee systems and monographs are still quite popular among faculty. For example, the community of business professors in German-speaking countries recently discovered that none of their journals meet international standards regarding language and a referee system. This increasingly will make promotion decisions regarding junior faculty difficult, requiring choices between one’s local reputation and an international career.

Given the rising importance of quality measures in all areas, the quality and economics of university administration should be assessed as well (Rhoades and Sporn 2002b). In most U.S. universities, administrators far outnumber faculty. In Europe, administrative staff size is often smaller or about the same as that of faculty, largely because faculty involvement in managerial activities is quite high (Sporn 1999a). With the rise of professional management practices, universities need a metric for assessing the invested costs and benefits derived from administration.

*Professional staff development.* Professional staff development has become an important issue at European universities. Many faculty and staff members are ill-prepared for the challenges of future institutional operations and would benefit from personnel development programs, including training in leadership, financial management, and technology issues. Faculty development can encompass management tools, finance and accounting, teaching methods, language training, writing seminars, intercultural training, and personal coaching. While many universities are offering training in different areas, participation is still low—especially among the faculty.

*Performance contracts.* Universities have responded most visibly to new demands with performance contracts.

As a new way of financing higher education, performance contracts are closely related to performance budgeting and global lump-sum budgets. Global budgets imply state funding based on both constant and flexible components. Budgets are no longer itemized by function but instead are negotiated for a certain period of time and allocated as a block grant. Thus, state-driven resource allocation will become more performance driven.

Performance contracts include both external and internal contracts. External contracts, such as those in Austria, involve an agreement between the state and the public universities concerning expected performances under the flexible budget. They are based on output measures, such as number of graduates, publications, or research grants. Internal contracts concern the allocation of budgets within the institution, namely, for departments and institutes. The contract between a rector or president and the department chair can also be based on fixed and flexible portions. The flexible part is granted depending on certain performance indicators: teaching evaluation, number of graduates, research output, contribution to university development, internationalization efforts, and junior faculty development.

### ***Convergence or Divergence***

This paper provides a comparative perspective on how higher education policy converges or diverges. So far, the analysis shows that policies around the globe converge. We see trends toward internationalization and globalization, competition and market-orientation, the use of NPM and strategic planning, and the emphasis on quality and accountability. Differences begin to emerge at the institutional and departmental level.

In the United States, there is a clear distinction between the role of faculty and administration. Faculty's responsibilities include teaching, research, and service. However, administrative support is extensive, ranging from operations in teaching centers to development offices staffed by professional managers. Consequently, administrative staff in the United States is often double the size of faculty, whereas in Europe the two are about equal in size.

In Europe, university administration has filled the role of a public bureaucracy. Until recently, administrators had

been civil servants directly subordinate to the ministry, with no control mechanism at the university level. Professional managers are still rare, and thus today universities are investing many resources in personnel development and training. In the past, the faculty had been very powerful, as large democratic decision-making bodies secured influence and dominated university leadership. Faculty members also have taken over many functions within the university—such as rectors, vice-rectors, deans, and development officers—which explains why the size of faculty and administration is still about the same. With the increased need for professional and accountable management, however, that will probably change. Rectors and boards will gain power and be responsible for the overall activities of the university. To be successful, though, faculty-oriented approaches that reconcile different values of academic freedom and institutional demands need to be created.

## **Part II: A Case Example**

An Austrian university illustrates the trends occurring throughout Europe. In the area of university reform, Austria is one of the more innovative countries in Europe. In mid-2002, parliament passed a new and far-reaching law that completely redefines university functioning. The efforts of the *Wirtschaftsuniversität Wien* (Vienna University of Economics and Business Administration) to implement this new legal framework show how new structural arrangements will be used to build an entirely new university organization.

### ***The Austrian System***

Austria has seen a dramatic reform of its higher education system since the early 1990s, beginning with the University Organization Act, which in 1993 delegated many responsibilities from the ministry to the institutional level. Later that year, *Fachhochschulen* (vocational training colleges) were created, and in 1997 evaluation and quality assurance became compulsory. In 1998, a law permitting the accreditation of private universities became effective. Finally, in July 2002, the Austrian parliament passed the University Act, a comprehensive law that redesigns most areas of higher education—including stud-

ies, employment, organization, and budget—to make Austrian higher education more competitive.<sup>7</sup> The University Act is built on four cornerstones: autonomy, performance contracts, global budgets, and university boards.

Granting autonomy to universities will make them more independent from the state ministry and turn them into public corporations. The ministry will withdraw to a supervising role and steer universities from a distance through performance contracts. Universities will be able to decide on employment, study programs, and resource allocation without ministerial approval. Performance contracts will form the major steering tool, both between the ministry and the university, as well as within the university between the rector and the institutes or departments. Contracts will be based on performance measures such as number of graduates or research productivity. Closely related to performance contracts is the new budgeting process, under which universities will negotiate three-year global budgets. Universities gain complete autonomy over categories financed by the budget, such as personnel, equipment, materials, and books.

Governance structure will consist of a new element, the university board, consisting of five to nine members outside the university who are jointly nominated by the ministry and the university senate. Board members will decide on crucial issues such as appointment of the rector, the organization plan, the budget, and the employment structure. The rector will have a key management role and oversee a team of vice-rectors. The senate will lose most of its power, deciding basically on study programs.

Under the new organization, evaluation will gain importance and include courses, whole programs, and departments or institutes. All parts of the institution will be involved with quality control and will use evaluation results for promotion and resource allocation. Employment at universities will be based on performance, with all positions subject to evaluation. “Lifelong employment” (similar to tenure in the U.S. system) will exist only for positions where the university decides it is necessary.

Austrian universities have just one year to change their structures and processes so that they meet the new requirements. The new law directs universities to establish “founding committees,” which will approve three basic

plans and then be dissolved. These three plans include a development or strategic plan, a plan for by-laws and organization, and a plan for personnel development.

### *Wirtschaftsuniversität Wien*

The Vienna University of Economics and Business Administration (WU) is one of 12 public research universities in Austria. It is a specialized university offering business administration, economics, business education, and commerce. In the fall of 2002, WU changed all its degree programs to offer one bachelor’s and five master’s degrees, which will soon conform to the EU-wide system of bachelor’s and master’s degrees. The university receives a state budget of approximately 53 million Euros per year and generates roughly 1 to 2 percent of its budget through private funds. WU has about 660 employees (358 faculty, 305 administration) and 522 adjunct professors, enrolls almost 20,000 students (17 percent international), and offers 3,000 courses each semester. The university has over 120 partner universities worldwide and offers about six summer university programs every year. Given its size, WU is the largest business school in Europe, if not the world.

WU has been a pioneer since the early days of the reform process in Austria. The new leadership team’s goal has been to turn WU into an entrepreneurial institution, a task made easier by WU’s strong ties with industry. WU has used many of the reform issues as an opportunity for renewal, but has also experienced resistance and problems, particularly concerning faculty buy-in, the reconciliation of academic and administrative processes, and the conflict between institutional and individual autonomy.

To respond to these problems and implement the new law, the university decided on a unique and innovative approach: transform WU into an autonomous institution by fall 2003. As mentioned earlier, three plans—related to strategy, organization, and personnel development—need to be developed and adopted. The WU leadership has defined the planning process as an organizational develop-

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ment exercise and has hired an external consultant to assist in the process and serve as a sounding board. The ministry liked this approach and agreed to finance it. The name ALFA—Autonomy in Lehre (Teaching) and Forschung (Research) und Administration—was decided upon and widely communicated throughout WU.

ALFA offers an opportunity to engage the entire university community and secure the support of as many members as possible. For example, working groups consisting of WU members handle the work on document content. A rigid time frame conveys a sense of urgency but at the same time provides enough opportunities for input. Through this organizational development project, a successful implementation of the new legal framework seems considerably more realistic than in the past.

ALFA's project structure is elaborate, including a steering group, project leaders, theme leaders, and working groups for the three general topics: strategy, organization, and personnel development. ALFA's leadership team consists of the rector, the head of the senate, three renowned professors, and representatives of students and assistant professors. All managerial positions (e.g., deans and vice-rectors) have an advisory role. ALFA's leaders have invited members of WU to participate in one of the working groups, whose themes range from environmental developments, strategic business fields, continuing education, finance, organization of teaching and research, core processes of studies, performance contracts and indicators, support and administration, professional development, salaries, promotion and appraisal, and personnel fluctuation.

As far as structural considerations are concerned, the university aims to implement a matrix or process organization. Discussions have been moving in the direction of what the rector of WU refers to as simply the “entrepreneurial university.” WU should become more self-organized and expects all its members to be more responsible and entrepreneurial.

The development of WU's strategic position will focus on its strengths—namely, its international focus and breadth of offerings. The university should become more competitive and market-oriented without losing its aca-

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demical tradition. Recognizing its role in society as a public university, WU will maintain its tradition of broad access and at the same time work to reduce dropout rates and the long time some students need to obtain a degree. It will create first-class academic programs in the area of business and economics. WU must also develop profiles regarding teaching and research and make them visible to the outside world so that they can serve as a source of identification both internally and externally.

The approach has been to create an organization around WU's strategic business fields. To do so, relatively large academic units will be necessary, which means moving away from small specialized “kingdoms” to broader structures such as departments of management, marketing, economics, and so on. These institutes or departments can then be production units—producing services in research and teaching for the university.

Resources will be allocated based on strategic business fields, such as a bachelor's degree in information systems, a master's program in international business administration, and WU's research program. There will be field managers or program directors (e.g., the head of the continuing education center or the director of the international business master's program) responsible for organizing the work flow, asking for resources, and “shopping” at the production units (e.g., the department of economics). Contracts will define the relationship between field managers and production units. University leadership will oversee the structure, offer direction, coordinate programs, and provide necessary resources. All activities will be performance-based using adequate indicators. Over time, a network of incentive mechanisms for all areas should evolve.

Strategic business fields could encompass regular studies (both at the undergraduate and graduate level), continuing education, research, academic fundraising, and junior faculty development, consulting, and contract research. Some areas will provide services “horizontally” for more than one field—for example, for internationalization, administration, and financial control. The university could decide to keep some fields within the institution and to outsource others. Rector and vice-rectors would serve as a board of directors or managers with functional responsibility (e.g., international relations, research, and continuing education).

Horizontal processes include teaching and research; vertical processes include support and management. Support would involve general administration, such as the personnel office, computer center, and library. Management processes would involve marketing, financial control, strategy, communication, personnel, and organizational development.

The Austrian example shows how innovative and entrepreneurial approaches can be developed in response to a legal and externally mandated reform. On the one hand, WU will build a new form of shared governance to implement reform in collaboration with an external consultant. Success factors are the holistic approach both in content and in participation, and the creative use of external support for process monitoring and a sounding board—leaving the expertise for what is good for the university inside the institution. Prominent professors are involved as project leaders.

On the other hand, WU’s innovation also includes its possible new structure. Here, the concepts of entrepreneurialism and performance contracts could be creatively combined. A matrix structure with core (teaching and research), support (administrative units), and management processes (directors, vice-rectors), combined with a structure based on core strategic business fields, could make the university more efficient and effective. Hence, there would still be academic departments, programs (e.g., undergraduate, MBA, Ph.D.) with directors and vice-rectors, as well as administrative service units. Integration will be achieved through performance contracts between departments or institutes (i.e., production units) and

strategic business fields (e.g., academic programs, continuing education)—all coordinated by a program director and headed by vice-rectors who provide strategic direction and resources. The rector would be the CEO overseeing all processes, managing personnel, and serving as the external link for the institution.

## Conclusions

NPM is on the rise in almost all European countries. Neoliberal politics together with the pressure for budget reforms and spending cuts sharpen this trend even further. Areas of major change include social services, health care, and education, all of which have to face demands for stronger market-orientation and a need to find alternative forms of funding. Public funding has been tied to performance measurements and quality control, and customer contributions (e.g., fees for hospital care and student tuition) have been introduced. Institutions have been encouraged to develop fundraising activities as well as new ways of financing and management.

Specifically for higher education, five trends are based on an NPM ideology: autonomy, expansion, harmonization, marketization, and quality control. These issues are familiar to many U.S. experts. Differences do exist with respect to the drivers for change, however: In the United States, the external environment and the market serve as the major catalysts for organizational change (Gumport 2000; Peterson and Dill 1997), but in Europe, the state or EU policies and agreements are major drivers for change. Change is being externally “infused” into universities through mandated legal reforms. As a consequence, implementation is the most challenging part of the process, as resistance often dominates. The Austrian example shows that institutional responses should pay close attention to the role of faculty and shared governance.

Institutional reforms have brought about stronger leadership and new governance processes, including boards, quality management, personnel development, and performance contracts and budgeting. None of these issues are new from a U.S. point of view, although performance contracts do not play a prominent role within the U.S. system. One explanation could be that this type of incentive structure is not necessary at institutions with a long tradi-

tion of competitive behavior. In Europe, performance contracts will be a major challenge to implement. Discussions concentrate on adequate indicators, degrees of fixed and variable budget elements, and the relationship between resource allocation and performance measurement.

Yet another area that differs greatly between the United States and Europe is personnel development. Faculty development in the United States is a built-in process during Ph.D. studies. Ph.D. students are prepared to become academics through rigid dissertation requirements and teaching assistant positions. Administrators are prepared for their jobs through distinct training and career paths. In Europe, Ph.D. programs do not serve that purpose. Thus, many faculty members need to be prepared “on the job.” Administration is still focused on a civil servant mentality, and only a few training programs exist. Universities have only recently started to offer a wide range of courses and mentor programs.

The example of Austria and WU reveals that differences do not occur so much at the system or international level, but rather at the institutional, departmental, or individual faculty levels. Although WU borrows from U.S. practice—the entrepreneurial university—the university acknowledges the idiosyncratic nature of the institution. Hence, faculty participation, the use of consultants as process managers, and new structural forms emphasize the specific history and culture of the institution.

WU may decide to innovate with regard to structure and process. From a structural perspective, the idea of production units, strategic business fields, and service areas linked through performance contracts and managed by leadership positions is quite rare, at least by European standards. From a process perspective, the division of core areas of teaching, research, and management, as well as support processes, is another innovation. The use of external consultants in the organizational development project as enhancers for wide participation and fast implementation is also rather unique. The institutional leadership appears to be aware of the pitfalls of introducing top-down strategies and structures without bottom-up identification of the university community.

Overall, trends appear to converge toward certain themes, which can be summarized basically as marketiza-

tion and competition. Still, differences exist at the institutional level. How universities, schools, or colleges address challenges and organizational change can differ widely. Hence, studies of trends of policy implementation need to focus more on institutional, departmental, and individual levels. In a sense, the world of higher education policies and change strategies is becoming more global and more local at the same time. Policy makers, university managers, and researchers would benefit from paying more attention to those different levels. Important insights and ideas for improvement could be gained and communicated internationally so that higher education institutions can grow and change without reinventing the wheel every time around.

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1. The Bologna declaration has had a significant effect on higher education in Europe. In general, it promotes the following themes: comparable degrees, two main cycles, a credit transfer system, mobility for students and staff, cooperation in quality assurance, and the development of a European dimension in higher education. See <http://europa.eu.int/comm/education/socrates/erasmus/bologna.pdf>.
2. For details see <http://www.unige.ch/eua/>.
3. For details see <http://www.efmd.be/equis/5menuequis.htm>.
4. For details see <http://www.fibaa.de/>.
5. For details see <http://www.aacsb.edu/>.
6. For an article in *Der Spiegel* (German magazine) see <http://www.spiegel.de/unispiegel/studium/0,1518,170629,00.html>.
7. For details see [www.weltklasse.at](http://www.weltklasse.at).