

University Devolution: How and why American research universities are becoming even more tribal¹

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Introduction

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": 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:

- Within the public university sector, decreasing public subsidies have influenced a movement toward internal management decisions and organization forms that have eroded a previous model of revenue sharing (in tuition and fees, in overhead generated by extramural research, for example) 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

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costs (in the tuition price of an MBA versus an English PhD, for example) in which 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 the theme that the internal concept of 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 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 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 what I call “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, it remains largely a phenomenon influenced by reduced government investment yet ultimately driven by internal decision-making related to privatization – thus far. The paper ends with a brief discussion on whether the organizational behaviors in US research universities are reflective of global trends, or are in some aspects unique.

Describing contemporary trends as “Devolution” is intentionally 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. However, such fragmentation 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. And 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. But here I focus largely on the story of US higher education, past and future.

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 influenced by often long-standing practices and by 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-1800 with the establishment of a group of “Land-Grant Universities.” While initially supported by federal legislation in the form of granting swaths of 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. Under the US constitution, states have this authority. As a result, there is no Ministry of Education at the national level prevalent in most parts of the world with the primary authority in 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 for 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 include 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), hires or fires that person (they serve at the discretion of the board), and provides them with significant management authority including the selection of major academic positions and budgetary decisions. To varying degrees depending on the institutions, faculty are generally delegated authority in issues related to the academic side of the house, including what is taught and who teaches (a shared responsibility with academic administrators who have authority for budgets).

I outline these basic characteristics of the US model to help 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 of state governments and higher education leaders in the public sphere was on how to grow enrollment, programs, and the number of faculty. It also included creating greater coherency in the network of colleges and universities in a state – 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

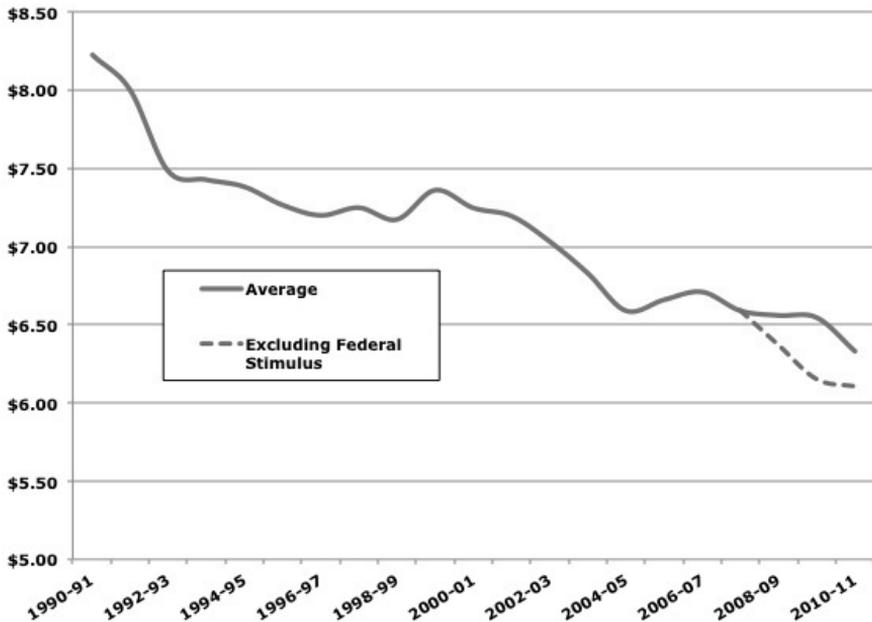
investment in higher education by state governments. Federal investment was, and remains, largely focused on providing student aid to individual students based on financial need and on funding basic and applied research – with tremendous investments after the startling launch of Sputnik in 1957.

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. Leaving aside federal research funding, there were relatively few other major sources of income. Tuition and fees, for example, in virtually all public institutions, be it a community college or a research intensive university, were extremely low in the 1960s. The historical development of the corporate model and the high levels of public investment led to what might be termed an “organizational structure and culture of growth.” This 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 the 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 (in US parlance “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 were placed where there was a sense of greatest need as opposed to allocating proportionately according to actual revenue generation (*e.g.*, in 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 tested at times 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, and with adequate financial

support, obviously creates different organizational behaviors and dynamics than retrenchment and disinvestment. In addition, there was a sense of stability created by relatively consistent public investment in higher education by state governments and, for the research university sector, new and consistently increasing federal funding for basic research justified to a large degree on 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.



Source: *Trends in College Pricing 2011*, College Board (2011).

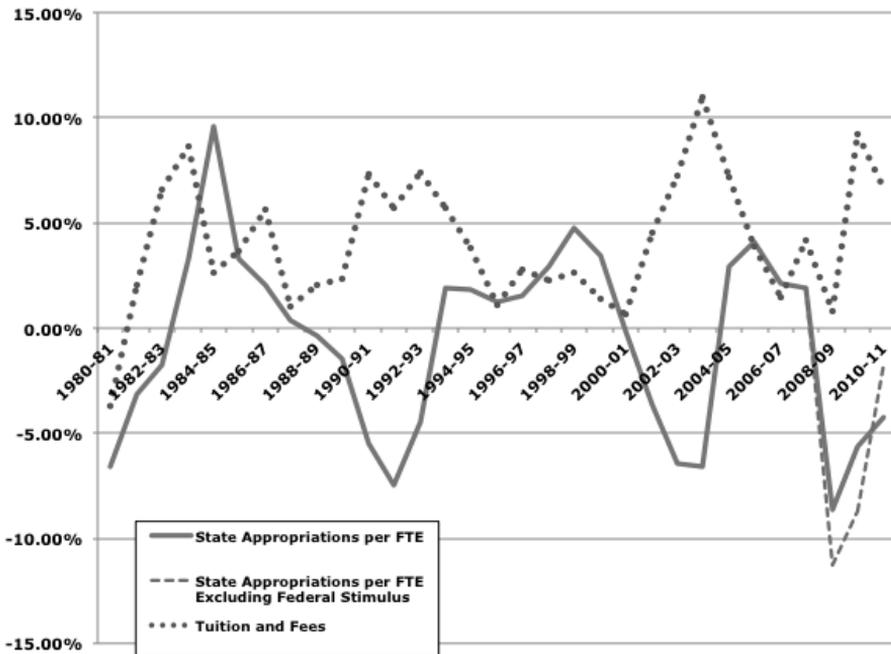
Figure 1. Average State Appropriations for Higher Education per \$1,000 in Personal Income, 1990-91 to 2010-11

But the political and budgetary conditions that supported this environment had begun to change by the late 1960s. Among the major megatrends (focusing on public higher education, where some 80 per cent 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 grew, and demand grew for higher education, universities increasingly had to, as they say, ‘do more with less’ (see Figure 1). This is a nationwide phenomenon, but has become more pronounced over the past decade, and more significant in a number of the states with the largest populations and with 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 illustrates the general inverse relationship.
- Decreased public investment and the volatility in funding from state governments created a new (and more difficult) environment for university management and resource allocation.



Source: *Trends in College Pricing 2011*, College Board (2011).

Figure 2. Annual Percentage Changes in State Appropriations for Higher Education per Full-Time Equivalent (FTE) Student and Changes in Inflation-adjusted Tuition and Fees at Public Four-Year Institutions, 1980-81 to 2010-11

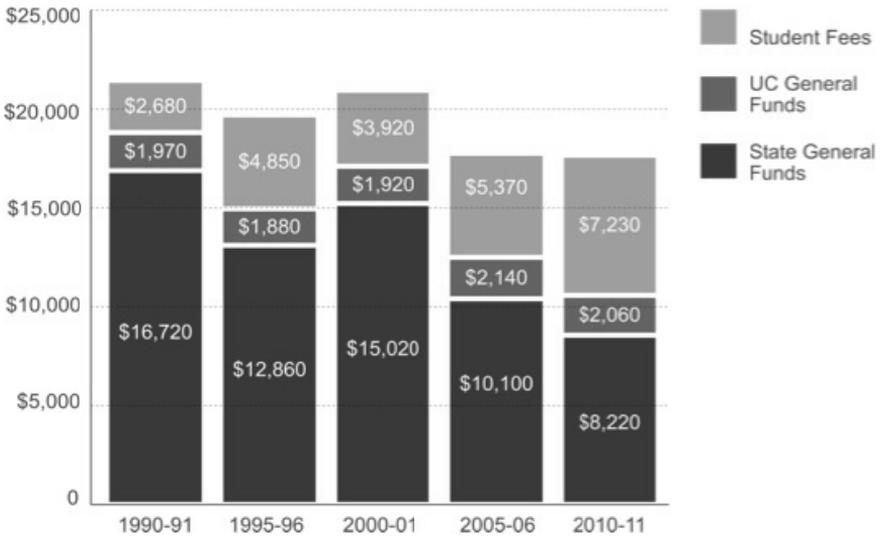
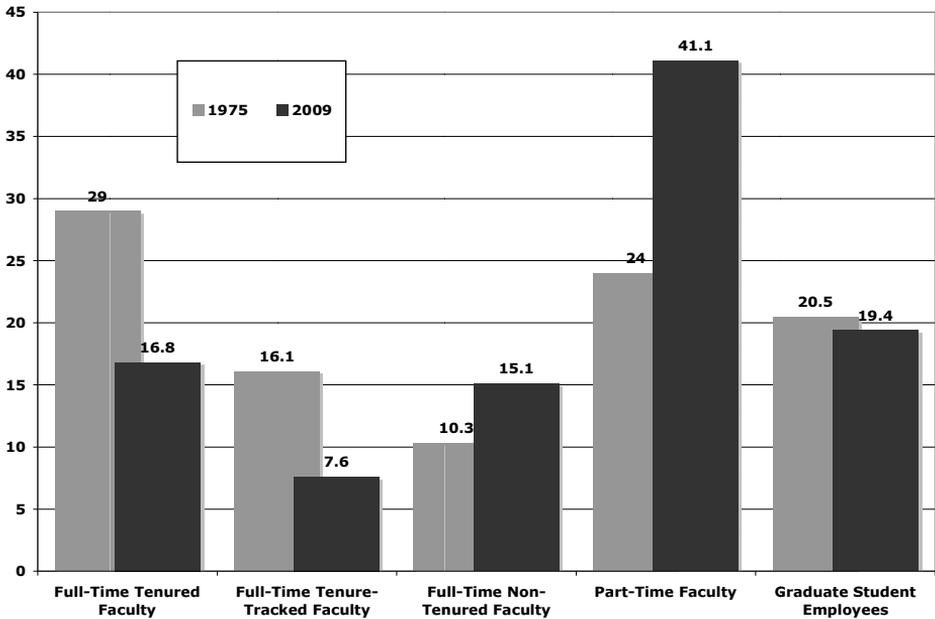


Figure 3. An Example of the Shift from Public Funding to Tuition and Fees: the University of California System



Source: NCES Digest of Education Statistics (2010).

Figure 4. From US Full to Part-Time Faculty: 1975-2009

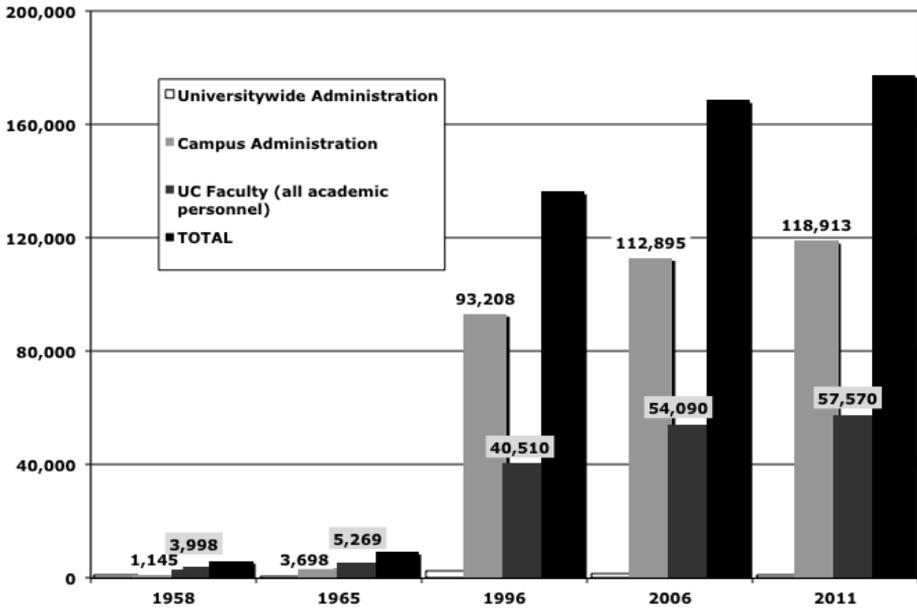
This new environment led to a number of efforts to reduce operating and capital costs. Higher education is a labor-intensive sector of the economy, essentially composed of highly trained professionals. The most effective way to reduce operating costs is to increase faculty workload – essentially by increasing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

In 1960, 75 per cent of college instructors were full-time tenured or tenure-track professors. In 1975, they represented about 57 per cent of all instructional staff in American higher education. By 2007, they represented a mere 31 per cent of the total, with part-time faculty over 50 per cent of the instructional staff (see Figure 4). More recent data indicates the trend accelerated with the onset of the Great Recession that began in 2008. Faculty members serving in ‘contingent’ or short-term appointments now make up more than 75 per cent of the total instructional staff, with the most rapid growth being in part-time faculty members.

The growth 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 per cent of all undergraduate courses taught. In turn, this allows for lower teaching workload for tenured or tenured tracked 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 administrators and support positions in areas such as student affairs, and administrative assistants for research projects. The University of California (UC) provides an example. It 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. It shows in dramatic fashion two major trends. The first is the huge scale in growth 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.



Source: Statistical Summary of Students and Staff, University of California, Annual publication 1958 – 2012.

Figure 5. University of California Faculty and Staff: 1958 - 2011

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 (Kerr, 2001). 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 administrators/support staff ratio in 1958 was 1 to 0.53; by 1996 it had grown to 1 to 2.4. 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 does this type of data indicate? One assumption, popular among faculty, is that it indicates huge bureaucratic growth.

There have been significant increases in staffing related to the growth in student services – including everything from 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 additional 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.

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

Personnel data on UC shown in Figure 5 also includes medical faculty and staff, where there has been a large-scale increase in people and expertise. Combined, a story emerges of a significantly changed environment and organization, but with the greatest change during the period 1965 to 1996, and more marginal growth after that perhaps reflecting 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 adapt 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 considered 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 (in part developed by universities and influenced 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.

As noted, revenue – whether in the form of public funding, tuition and fees, or what was until the 1960s rather meager income from endowments in both the public and private universities – tended to be distributed relatively equitably and related to student workload. Beginning in 1958, increased federal research funding was accompanied by overhead rates established to cover the administrative and facilities cost, often used as a source of revenue sharing (Baldrige, 1971; Birnbaum, 1989). Faculty salaries were largely similar across the disciplines (Finkelstein & 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 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 that of their profession – and more specifically to affinities with

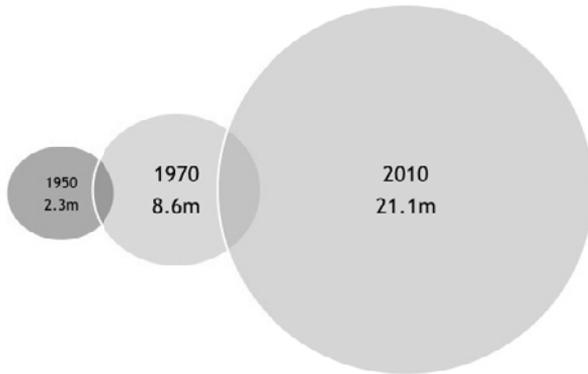
colleagues in the same discipline (Jencks & Riesman, 1968). Tony Becher coined the term “academic tribes” each with their “traditions, customs and practices, transmitting knowledge, beliefs, morals and rules of conduct, as well as their linguistic and symbolic forms of communication and meanings they share” (Becher, 1989). Others writing on academic culture have described the effects of specialization and the increased pressure for faculty to produce research (Boyer, 1990; Rosovsky, 1992; Massy & Zemsky, 1992).

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

- Huge growth in the higher education sector in enrollment and programs that create different dynamics and reinforces specialization – creating 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 21.1 million (see Figure 6). At the same time, and as elaborated 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*, what he defines as “the continued addition of new functions and structures without shedding old ones.” (Smelser, 2012).

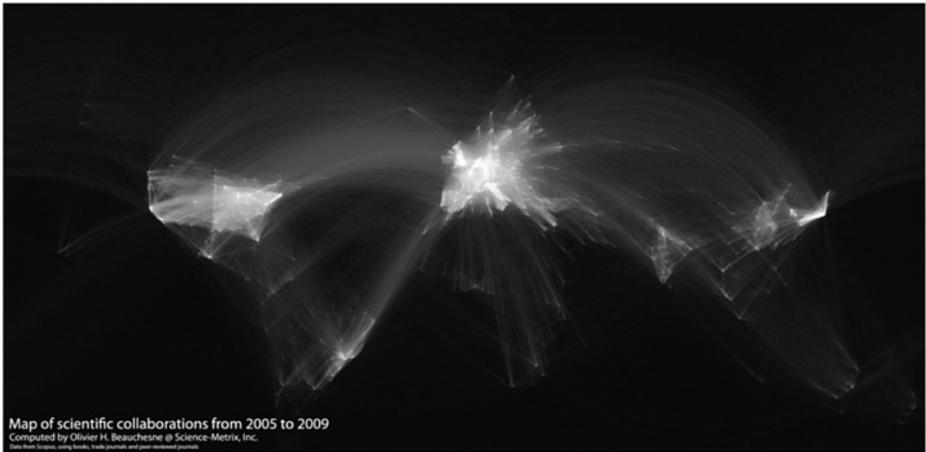
Universities are in the business of growing, if not in students then in programs and fields. There is steady growth in science and engineering occupations, including academics, in the US workforce. The rapid expansion of knowledge production in all fields, but particularly in the sciences where funding for basic research has grown dramatically since 1958. Figure 7 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.



Source: *Digest of Education Statistics 2010*, National Center for Education Statistics (2011).

Figure 6. Higher Education Enrollment Growth in the US



Source: Science-Metrix, Inc.

Figure 7. Scientific Collaborations: International Joint Authorship of Scientific Articles 2005-2009

New management and resource allocation

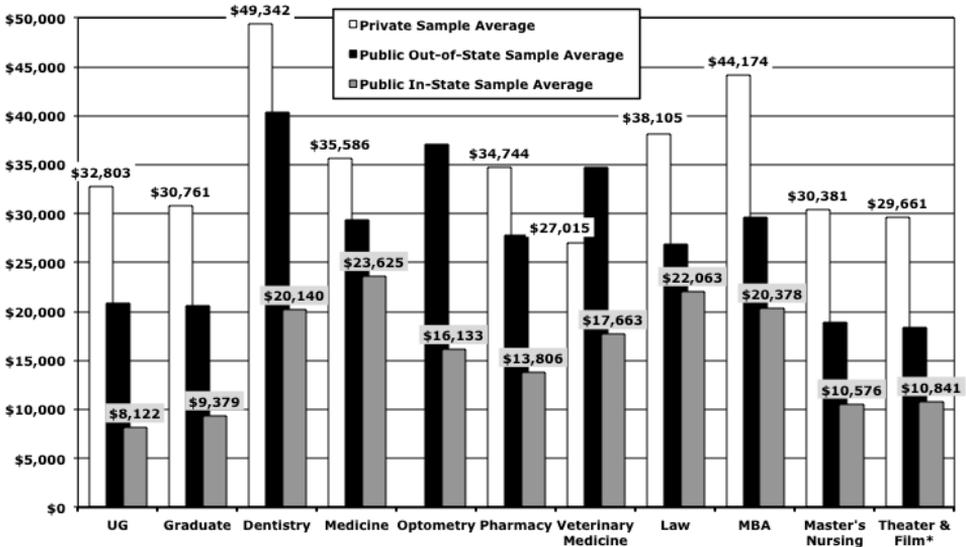
With increased external pressure by governments to ‘do more with less’ emerging by the 1970s, university administrators increasingly looked to business for methods to improve efficiencies and practices. University planners and administrators attempted to adopt business models including e-Planning, Programming, 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 largely provided temporal influences on the business practices of universities, including functions such as accounting and payroll, and accountability frameworks, predominantly for the non-academic activities of the burgeoning research universities. On the academic side, greater influences were at play reflecting market forces, and where and how resources were allocated. In this view, the adoption of various management practices, like Zero-Based Budgeting financing, were more reactions to realities on the ground than to grand efforts to reshape the behaviors of faculty and an increasingly powerful sub-group of departments and schools. This includes the following old and relatively new trends – what might be viewed as acceleration in 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 science and engineering 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 and largely divorced from actual program costs. Figure 8 provides an example of differential fees among a select group of thirty public and private universities in 2007 – before the Great Recession – and increased tuition and fees imposed by public universities (Douglass & Sobotka, 2009).
- Growing differences in the academic experience of students with the growth in curricular requirements demanded by the various disciplines despite the American concept of General Education, contributing further to

the development of different academic cultures (Brint, Cantwell & Hannerman, 2008).



Source: Douglass and Sobotka, “The Big Curve,” 2009.

Figure 8. U.S. Universities Sample Group of Differential Tuition and Fees 2007

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

The unraveling of faculty ladder

The success of the UC as one of the top research institutions in the world is 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 in the traditional ranges 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 on their research productivity, teaching record, and contribution to public service. At each of the three professorial

positions, faculty were to provide evidence and gain support *via* a faculty driven process of review, with escalating expectations to reach the status of a full professor title. This is in contrast to a civil service approach to advancement, 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 in the US, although very few have such a detailed step system and such a rigorous 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 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 tended to make the campus they were first hired at their permanent home.

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

But three factors 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 or at approaching 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, medicine. But there are indicators that other departments and schools, particularly in the sciences, may soon claim the need for special salary scales. So far, however, the path to higher salaries is linked to the second factor: decreased public investment in higher education, which has depressed faculty salaries. Faculty salary increases have not kept up with inflation or with

a group of comparative private institutions in which UC campuses such as Berkeley must compete. As a result, departments gain approval to hire new faculty at elevated steps: hence, 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, or sometimes at Step 5, or 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 whom 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 (personal communication, January 15, 2012), a long-time faculty member in civil engineering at 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. In contrast to, for example, 1960, major research universities are spending resources searching for top faculty talent often at the mid-career and senior level where faculty mobility is much higher today, and more international, 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 would still confer degrees, but the financial and most other aspects of operating Darden 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).

As noted, business schools, as well as continuing education programs, have been at the forefront in the US and internationally in gaining differential fees and in developing and marketing targeted degree and credential programs – specifically executive MBAs – with high profit margins. This revenue, plus a plan to increase extramural fund raising and development of a much larger endowment, 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 had been striking deals with their university administrations to also keep more of the rising tuition rates they charged.

The model in 1960 was that fees were uniform, they went to a centralized pool and were redistributed in a fashion that supported – relatively equally – the breadth of academic programs thought required 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, and yet where the social good was considered high, as in nursing. As noted, a revenue sharing scheme was intended to support a comprehensive university.

The new model, largely forged by business schools, was to keep 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 per cent. At the time, other major business schools had cut deals for higher central tax rates: the University of Michigan's business school paid 24 per cent of tuition revenue to the university; at Emory, a private university, the rate was 40 per cent. Snyder had first considered proposing a rate of 5 per cent, 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 corporation, and it has since prospered – gaining in reputation, and with a new campus that reflects the high-end look and feel necessary for charging top dollar for an MBA and executive programs. Darden also provides an example of decision-making in which deals are struck, often under circumstances of financial stress of a university, which then become 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 US, but internationally.

In part influenced by the success of Darden, UVa 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 – a management approach sometimes referred to as "every tub on its own bottom" management, with influential versions at Harvard and 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 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 law school, with its significant wealth, to 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 on how the income is allocated. State funding had faded from 60 per cent of Boalt's budget in 1994 to 30 per cent in 2005. The decline had been largely mitigated by higher tuition: offering differential fees since the early 1990s, in 2005 California residents paid just under \$22,000 a year 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 UC system (a network of ten highly ranked research universities) had a proposal before its Board of Regents for a 5 per cent 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 before the Regents that: “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). A 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 plan included redistributing a portion of the increased tuition income to financial aid.

The Regents approved the proposal. Edley had also cut a deal with UC Berkeley's chancellor whereby 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 fund raising campaign along with significantly rising operating expenses deemed necessary

for maintaining Boalt's status as a top law school. Edley and Berkeley campus officials assumed large increases in extramural revenue when it began a building and renovation plan initially projected to cost \$60 million. But shortly before construction was to begin, it was realized that fund raising in the midst of the Great Recession was not going to fully cover the rising costs for the project, by then estimated at \$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, developed a proposal to gain a large loan from private creditors with the 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 Berkeley campus first requested an increase in Boalt Hall's tuition by about 19 per cent and then returned again to the Board with a proposal for a \$84.2 million external loan with debt service paid by fee income, and \$5.8 million from Boalt's fund raising campaign. It was estimated that some \$5.95 million a year of future tuition income would cover 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 had been nearly completed, significantly enhancing Boalt's facilities and allowing for marginal increases in enrollment. This was the first such deal made at the University of California, although there are perhaps similar ventures by professional schools in other major universities. It represents simply an additional wrinkle in the path toward devolution, in which resources are increasingly localized in profit and prestige units. Such deals are likely a growing model in US public universities.

A global trend?

Boalt Hall, the Darden Business School, and the unraveling of faculty salary ladder or scales at the UC are a sampling of various behaviors rooted in financial challenges and the changing market for degree programs and for faculty. While beyond the scope of this brief study, there are other behaviors that would also be informative to explore. These include a relatively new "re-charge" culture, or what is sometimes called Responsibility Centered Management, in which goods and services previously offered by the university at no direct cost are now being itemized and charged, supposedly at cost, but one might surmise sometimes inflated as units strive to create surpluses. Another is the effect of a growing regulatory regime linked not only to federal and state mandates, but also

to internal auditing and growing bureaucracies. And yet another variable involves 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 strong sense of community once prevalent in campuses, reinforced by budget allocations and by the sense of collective effort in expanding academic programs and growing enrollment, was a relatively unique American phenomenon (Douglass, 2007). The sense of loss, or regression into a more fragmented academic milieu, may therefore be 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 which 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 of the presidents of the elite national universities, Japan's Ministry of Education changed the status of these institutions as corporate entities using a familiar formula: give the university and its academic leader more autonomy but with the burden of a greater accountability regime. But all evidence is 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." (Kruecken, 2011, p.X). 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.

There is a significant and growing literature beyond the initial studies by Jencks and Riesman (1968), and Becher (1989) that focused on the American scene, and which now includes international comparative perspectives (Kruecken & Meier, 2006; Musselin, 2009; Olsen, 2007; Scott, 2010). There are distinct experiences and viewpoint between the Americana and European experience in building mass higher education. In Europe, the power and

influence of central governments have shaped organizational behavior. Historically, they have not had the same sense of their role as agents of economic development and socio-economic mobility. 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 the *Devolution* story 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 and one sees their relevancy or emergence in most parts of the world.

There is, I suspect, much more commonality and convergence than growing differences in organizational behavior. But one might speculate that the causes are somewhat different. One cause globally is the quest of ministries to create so-called “world class universities”, focused largely on 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 of institutional missions of their network on national universities, are changing behaviors of faculty and academic leaders. The establishment of quality assurance offices and staff, and matrices to judge the performance of faculty and departments, within universities throughout the globe attest to such 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 what I describe as *Devolution* is in fact some sort of evolutionary process. Either way, one must assume 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 appear increasingly 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 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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