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ACADEMIC ENTREPRENEURSHIP VS. CHANGING GOVERNANCE AND INSTITUTIONAL MANAGEMENT STRUCTURES AT EUROPEAN UNIVERSITIES

1.

In recent discussions about the future of public universities in Europe, the issue of their governance and management structures figures prominently. The overall picture on reading, in particular, recent EU documents, reports, working papers and communications is that the relationship between government and universities is in need of profound change. The two most recent documents, “Mobilising the Brainpower of Europe: Enabling Universities to Make Their Full Contribution to the Lisbon Strategy” (EC 2005a) and “Delivering on the Modernisation Agenda for Universities: Education, Research and Innovation” (EC 2006a) (and a number of accompanying documents, see EC 2006b, 2005b, 2005c, 2003) make clear that radical transformations of university governance are expected by the European Commission to make possible their full contribution to the “more jobs/more growth” component of the Lisbon Strategy. Universities are urged to consider fundamentally new arrangements (new “contracts”) with societies and governments are urged to consider establishing new partnerships with universities, with a shift from state control to accountability to society (EC 2005a: 9). As explained clearly in an EU issue-paper on university governance:

Universities operate in a fast changing context. ... Consequently, universities are becoming more complex and difficult to manage, internally and in relation with the state. Coordinated change is required both in systems regulation and in institutional governance in order to mobilise the enormous potential of knowledge and energy of European universities to adapt to new missions (EC 2006b: 1).

Changes in governance are thus needed: according to new university/government contracts envisaged by the EU, universities will be responsible and accountable for their programs, staff and resources, while the state will be responsible for the “strategic orientation” of the system as a whole – through a framework of general rules, policy objectives, funding mechanisms and incentives (EC 2006a: 5). Or as the policy is laid down *expressis verbis*, “less *ex ante* checks and greater *ex post* accountability of universities”, with full autonomy as a pre-condition for

universities (EC 2005a: 7). In general terms, institutional governance issues seem more crucial than any other factors discussed in connection with the current role of universities in knowledge-based economies, including the public funding for them:

Institutional governance is of the utmost importance in a competitive and global context, because it is the main factor in reinforcing leadership and accountability in European Universities. It may be considered that other factors, namely public financing of universities and research activities, are *important* for the future of European universities, but the choices made by universities concerning governing bodies and decision making processes are *vital* in their consolidation (EC 2005c: 38, emphasis mine).

In the above context, out of the three dimensions of university governance (governing bodies, executive bodies and external quality assurance bodies, see EC 2005c: 39), the present paper will focus on the first two, and especially on the “strengthened steering core”, the second element of the entrepreneurial university (in Burton Clark’s classical formulation), the university’s “administrative backbone” stretching from central university bodies to its major faculties, departments, and institutes.

2.

In most general terms, there can be identified three basic university management structures and styles: *collegial*, *bureaucratic* and *entrepreneurial* (Williams 2004: 84-92). *Collegial* management means that the academic staff or their representatives take all important decisions through a process of consensual decision making – until a broad agreement about the way forward is reached. The processes of consultation are inevitably time-consuming, and decision-making process is slow. In hard times, though, it is almost impossible to reach agreement about where cuts should be made – except for a situation of a “misery for all”. *Bureaucratic* management, in turn, means a form of organization in which everyone in a management hierarchy has freedom to act within prescribed limits – decisions are taken quickly but a small number of individuals at the apex make final decisions and there is a we/they feeling of alienation in an institution. *Entrepreneurial* forms of management are most likely to be found when the institution needs to generate income or to enhance its reputation in a variety of different ways – in order to prosper or to survive. Universities or departments which are able to keep any income they earn are most likely to behave entrepreneurially. According to Williams, “the key to entrepreneurial management styles is *an understanding and management of risk*. Managers who take risks and are successful are rewarded. Failure and passivity are penalized” (Williams 2004: 86-87, emphasis mine).

The role of strong core administrators – accompanied by strong strategic committees – is emphasized in many EUEREK case studies. Managing structures and decision-making processes at a small private university (Buckingham) are substantially different from those at bigger institutions (such as Warwick, Nottingham or Twente University). For example, each of the three schools at Buckingham is treated as three business divisions, each is responsible for maximizing its financial return (largely from teaching). The decision process at Buckingham is quick and comprises only five people: as the Director of Finance puts it:

Buckingham has three academic Schools, and we look at them as three business divisions.

Each is responsible for making the maximum financial return and growing their business.” “The decision-making process at the University is quick and comprises five people: the VC, his deputy and the three Deans. We meet every week for two to three hours, so we do make good progress and good academic decisions in that sense. We get on very well. I don’t think we get anywhere near as making good decisions on the administrative and operational side. I guess we need a chief operating officer who can assume the managerial aspect. But we have less constraints than you can expect in a larger organization” (EUEREK case study: University of Buckingham, 14-15).

Academic entrepreneurialism involves risk-taking; in most EUEREK cases, institutions have to deal with a high level of risks on a daily basis; in private institutions, *the* major risk studied is a financial one, related to student number figures (and student fees). But as Shattock explains, in universities “risks may be academic or reputational as well as financial” (Shattock 2005: 19). The Polish case study explains:

WSHIG has been operating under constant risk in recent years. The major risk has been financial – will the income from student fees cover the expenditures, especially including debt installments to the banks. WSHIG has been investing heavily in its infrastructure. As other private institutions, only from its own sources, with no state subsidies. WSHIG’s rector was doing wonders to be able to pay back the bank loans in time (also using his private assets). The second risk has been student enrolments (EUEREK case study: WSHIG - Poland).

At Buckingham, in a similar vein, what is meant by risk is exactly the financial risk:

The most important risk to the University is financial. With a small research portfolio, academic risk is restricted to the student take up of degree programmes. In that sense the University is operating on a knife edge of risk (EUEREK case study, University of Buckingham).

There are also other forms of risks involved in EUEREK private institutions: the competition in the areas of studies (public institutions suddenly opening the same specializations/programs or modifying the existing ones – and running them without charging student fees); state regulations, and prestige (reputation). In the Polish case, the risks included:

state regulations concerning employment relations in the private sector: who and on what terms can be employed as the core senior faculty. The solution found by the whole sector in general – almost retired and retired professors – has always been in danger; but it has worked perfectly in all the years of operation of WSHIG. ... Another risk has been related to prestige and reputation. WSHIG had to fight for its reputation starting from scratches. Several times it was severely attacked e.g. by the press. These attacks are dating from the 1990s; later on, with huge investments in infrastructure, they were not repeated. Finally, with the state accreditation granted in September 2005, WSHIG has been fully protected against the press attacks (EUEREK case study: WSHIG - Poland).

As exemplified below, the role of risk management at the London School of Hygiene and Tropical Medicine is crucial: what is stressed is monitoring performance at individual levels by

heads of departments (and at the same time members of strategic management team); risk management focuses also on outside grants (and EU grants in this context are regarded as risky). Structured risk management, with respect to both finances and reputation takes the following form:

The School is subject to both academic and financial risk, and engages in structured risk assessment. The academic risks are primarily reputational. ... It has discontinued large scale consultancy work. But if a major research programme in a third world country funded by an international agency like WHO or the Gates Foundation were to be conducted ineffectively, the reputational impact would be considerable and would potentially effect other research grant and contract applications. This would have a particularly severe impact on an institution so dependent on external grant and contract income. For this reason the school places great emphasis on monitoring performance. The Director pushes the heads of departments in the SMT (senior management team) and they monitor performance at individual levels. The dependence on non-HEFCE income makes the School subject to exceptional financial risks as compared to the majority of UK universities. The risk derives not only from a failure to attract grants, contracts or student numbers which can be partly mitigated by the 3:1 ratio of non-permanent to permanent staff, but from cumulative failures to manage effectively the grant end contract income which has been received. For example, in 1994 the School received 43 grants from the EU. Not only did these grants carry very low overheads but they carried high coordination costs if the School was the contractor. The School regards EU grants as “risky” (EUERЕК case study: LSHTM, 23).

3.

Again, it is important to stress the role of non-monetary dimensions of entrepreneurialism, such as reputation of an institution. An entrepreneurial university will, as Williams puts it, “reward departments and individual members of staff according to their success in *bringing resources or reputation* into the institution. Activities that are unable to make a net surplus, in either income or institutional reputation, are discontinued” (Williams 2004: 86-87, emphasis mine). Again in general terms, as the case studies of entrepreneurial universities show (also the Russian cases discussed in the Shattock’s volume on entrepreneurialism of Russian universities in which Williams published his paper), there is always some degree of collegiality and some bureaucracy – but the shift in managerial styles reported in Europe in the last 20 years is away both from collegiality and from bureaucracy, and towards entrepreneurial styles of management. In practice, the shift means e.g. that the vice-chancellor has acquired increased managerial powers; that he is now supported by a ***small but very powerful strategic management group*** that determines the strategic directions and ensures links between the vice-chancellor’s office and the university staff. Universities introduce clear Resource Allocation Models (RAMs), supervised by these teams, which allocates the income of the university among the university units and determines what percentage of the commercial income shall be treated as indirect costs and what are the “top-slicing” procedures. Usually, a formula basis is used – but its exact components are constantly under review (and under discussion).

Resource allocation models used in entrepreneurial universities studied have strategic implications for the nature of an institution: institutions become more centralized or more

decentralized. Through the allocation of resources, some strategic decisions are followed to the detriment of others, as Jarzabkowski stresses (Jarzabkowski 2002: 5). Hard choices have to be made, and they are often being made using allocation models. The example of strategic decisions is the route followed by Warwick University between 1992-1998: “Warwick has consistently pursued goal-oriented actions related to research excellence, income-generation, capital expansion and growth of the Science Faculty” (Jarzabkowski 2002: 12).

Effective entrepreneurial universities are neither extremely centralized nor decentralized; they are administratively strong at the top, the middle, and the bottom. The decentralized entrepreneurial university is certainly Warwick University; the centralized one, on the other hand, is Twente University in the Netherlands (also an object of Clark’s and other’s case studies). They introduce professionalized clusters of change-oriented administrators at all levels – development officers, technology-transfer experts, finance officials, sophisticated staff managers – to help raise income and establish better internal cost control. Entrepreneurial universities develop a new bureaucracy (as Clark calls it) as a key component of their (entrepreneurial) character.

It is important to avoid the conception of overpersonalized leadership, though: the European case studies of entrepreneurial universities clearly indicate that strong and devoted leadership is not enough to introduce, or sustain for the future, structural changes. The CEO kind of management, the authoritarian figure, in most cases does not endure. As Clark phrased it, based on his 14 global case studies, “enterprising universities ... are characterized by collegial entrepreneurialism” (Clark 2004a: 85). Also none of the case studies of successful entrepreneurial universities in Europe reported the crucial role of charismatic leaders in the long run; in the medium run, they were able to start transformations. Consequently, the case studies available show the crucial role of *strong “University Management Teams”* (or bodies with similar names and functions) in Europe – who interact with both governing bodies above and the academic body (departments, schools etc) below where the real work, and real transformations, are done. University management teams, or senior management teams, report to governance boards or boards of management. The pivotal role of these strong teams was stressed at e.g. LSHTM, Twente University, Strathclyde University, WSHIG in Poland. As new governance structures are described at LSHTM below:

As the Registrar and Secretary described, the SMT [senior management team] is the major strategic driver in the School though it consults widely. It has a separate research SMT that brings a wider spread of participation from around the School. The SMT generally works in a strongly consensual way, but the changes in departmental structure in 1997 and 2002 and the creation of the post of Dean of Studies are examples of leading from the front. Above the SMT is a Board of Management, a lay body “which stops us becoming too introverted and instead looks at changes that might be coming up externally”. The Board is also required to be accountable to HEFCE as the governing body of the institution. Below there is a School Senate, a reformed body from a previous Academic Board on which all professors and readers were ex-officio members. The new Senate has 30 rather than the previous 90 members and has a wider participation from the staff (EUEREK case study: LSHTM, 22).

Similar transformation in management structures are reported in numerous case studies of most successful institutions, both academically, reputationally, and financially. Senior

management teams are reported to be *the* decision-making bodies, responsible to governing bodies. The list of senior management team members is getting longer and may include, apart of vice-chancellor, pro-vice-chancellors, registrar etc – also research finance officers or research contracts officers. See a reflection on recent changes in governance at LSHTM below:

Key changes to the management of the School were introduced in the late 1980s by a Dean ... who operated very much in a chief executive mode. He introduced the concept of a Senior Management Team (SMT), which has continued to be the decision-making body in the School (subject of course to the constitutional powers of the governing body). This now consists of the Director, deputy Director, the three heads of departments, the Director of the Teaching Programme and the Secretary and Registrar. ... *There is no doubt that the operation of the SMT, meeting weekly, lies at the heart of the successful management of the School. It conforms precisely to Clark's "strengthened steering core" mechanism, which he saw as an essential ingredient to his case studies of entrepreneurial universities (Clark, 1998); it contains academics and administrators, it consults downwards and recommends upwards, it brings together academic, financial and property strategy, and controls resource allocation.* A feature of the changes in management described above has been the School's flexibility and pro-activeness in responding to a changing external environment, and at each stage strengthening the management expertise to ensure the School was able to respond effectively to external pressures. The same could be said for the changes in academic structure and organization" (EUEREK case study: LSHTM, 20, emphasis mine).

4.

The details of new management structures at two entrepreneurial universities in the UK (University of Nottingham and Manchester University) are given below. Nottingham's management structure is similar to that of Warwick: a strong management board plus strategic committees. Committees deal with specific issues, day to day management operations are done by the management board; the role of the university council is reduced but consultations are performed through committees. There is a balance between bottom-up initiatives – and top-down strategic guidance. The role of strategic committees at Nottingham University is explained below:

In 1995 a new streamlined committee and management structure was introduced. Day to day management issues at the University are the responsibility of the Management Board, which meets weekly. This group also initiates strategy. It currently comprises the Vice-Chancellor, the six Pro-Vice Chancellors, the Chief Financial Officer and the Registrar. Two Pro-Vice Chancellors are responsible for research and knowledge transfer; the other four are responsible for (i) staffing, students and access, (ii) teaching and learning, (iii) infrastructure and capital development, and (iv) internationalisation and Europe. The Management Board is a sub-committee of the Strategy and Planning Committee, a committee of the University Council, which is legally responsible for all the strategic decisions of the University. These arrangements correspond to the strengthened steering core identified by Clark in his widely read book *Creating Entrepreneurial Universities*. A number of committees deal with specific issues. The University planning processes aim to strike a balance between consultation, bottom-up initiative and top-down strategic

guidance, with emphasis on a team approach. Once the central management group has set policies and budgets, a high degree of discretionary authority is devolved to local managers to deliver their aims within available resources and University policies and quality control procedures (EUEREK case study: The University of Nottingham, 3).

Management structures at Manchester University are more traditional but seem equally effective, especially to the strong position of vice-chancellor and his management team. Its governance structures include the Board of Governors, to which the president and the vice-chancellor (one person) reports; the Senate is the principal academic authority and its responsibilities are limited to academic issues – it is chaired by the president and the vice-chancellor; there is also General Assembly (a rare body at entrepreneurial universities studied), with limited powers; finally, the registrar and the secretary (one person) serves as a secretary to the board, the senate, and the general assembly – and at the same time serves as the head of administration of the university, responsible to the president and vice-chancellor for providing administrative support. Most importantly, the president and vice-chancellor is the CEO of the university and he/she is responsible for the establishment and the composition of his/her management team. In more general terms, although the Senate and the general Assembly do exist, their powers are limited and power is located in the university's core management team headed by a vice-chancellor. Interestingly, heads of schools (deans of faculties) are members of the management team as vice-presidents – which ensures that there are few hierarchical layers between academic activities in schools (departments) and senior management of the university (see Arnold et al, 2006: 74-75).

In general terms, the strengthened steering core means the operationalized reconciliation of “new managerial values” and “older academic values”. If these values are not reconciled, institutions feel tensions which require top management's (sometimes considerable) attention. The idea (operationalized e.g. at Manchester University) that heads of schools and deans are members of a senior management team at the central level brings academic units and their representatives closer to the central management. The tensions can be smaller as it is the job of deans and heads of schools to keep explaining actions taken at the senior administrative level (in Polish public universities, deans of faculties – but not heads of departments, smaller academic units – form a body of all deans at a central level, cooperating closely on a weekly basis with the rectorate, university's chief management body). As in the example below, from Nottingham, it is not easy to reconcile academic and managerial values: “However, managing university staff is a notoriously difficult exercise, especially when at least some aspects of marketing and entrepreneurial activities seem to conflict with deeply held academic values. Effective power in a university is intrinsically and inevitably deeply embedded in academic staff of the institution, because only they have the expertise to make it work. The pro-vice-chancellors at Nottingham devote a considerable amount of time in proselytising within the institution” (EUEREK case study: The University of Nottingham, 8-9).

5.

The case studies of entrepreneurial universities in Europe show three methods to minimize tensions between the center and base academic units, the third being used by both the first and the second as well:

- (a) *Pursuing flat structure*, eliminating intermediate units (faculties), to minimize barriers

between the center and the base units (departments) – the example is the University of Warwick, the University of Joensuu (Finland) or the vast majority of Polish private institutions (the case study of WSHIG in Poznan provides a good example: there is the rector and his small team of collaborators, strategic management team – and departments). There are no deans; its departments and research centers have direct contact with the center which consists of the vice-chancellor's office and a number of central interlocked (through some overlapping participation) committees – certainly the best example of a successful flat management structure in Europe is Warwick.

- (b) ***Keeping three-level arrangements, increasing authority and responsibility of existing multiple levels*** (the center – faculties – departments) – the example is Twente University (the Netherlands) and the Chalmers University of Technology (Sweden). A traditional basic structure – a small central office headed by the rector, president or vice-chancellor; faculties headed by deans; and departments chaired by heads. The difference with traditional collegial structures is stronger personal authority in line positions and, at the same time, greater collegial authority in academic committees. This is thus the combination of stronger individual authority of rectors, deans and heads, combined with stronger collegial authority of committees and higher professionalization of central administration. The new bodies comprising the two increased authorities are “university management groups” or “university management teams”. There are dangers that too much power given to the departments may lead to the gradual disintegration of the university as a whole (the university as increasingly merely an aggregate of entrepreneurial units and individuals, as former Twente University rector stresses).
- (c) ***Professionalization of administration all along the line***, and particularly at the center, as exhibited at entrepreneurial universities in Europe which have flat structures as well as those which keep the traditional three-level arrangements. Multiple non-academic tasks are increasingly being performed by well-paid experts and specialists, rather than amateurs recruited from former or current academics: the units include especially finances, student affairs, alumni and fundraising affairs. More and more previously unknown administrative posts are being created: in the Polish case, units for EU structural funds, units for EU research programs, units for technology transfer, university foundations to promote its brand etc (as the Poznan University case study shows).

Most case studies available, both from Europe and the USA, indicate that the issue of ***academic autonomy and academic collegiality*** in managing entrepreneurial universities cannot be forgotten in most successful cases. There are many cases of excessive centralization and examples of getting rid of (sometimes already remnants of) academic collegiality. The best examples of this trend are given from Australia and New Zealand (the Monash case study by Simon Marginson, 2000; *The Enterprise University* cases studies edited by Marginson and Considine, 2000; case studies reported by Janice Newson and Jan Currie in *Globalization and the University*, 2000, Jan Currie, 2000 etc).

Certainly the movement in general, in the overwhelming majority of public and private sector institutions, not merely entrepreneurial ones, is away from powerful senates and general assemblies and towards strengthened rector's/vice-chancellor's offices at the central level. In many countries (among transition countries, especially the Balkan countries should be

mentioned: Bosnia and Herzegovina, Macedonia, Kosovo), there is a substantial – and paralyzing, dangerous to the healthy existence of academic institutions – devolution of authority down to faculties; the university is a loose federation of (almost) autonomous faculties. Consequently, few comprehensive reforms are possible in these countries. The idea of “integrated university” – a strong center and weaker faculties and departments – has been promoted in the Balkans for several years now, with very limited success. The governance structures at Twente University, an example of an entrepreneurial *and* decentralized university, are “flat”: “Within this new organisational structure a decision making process was introduced in which the deans and the scientific directors form the university management team, together with the Executive Board. While the Executive Board is ultimately responsible, the UMT sets out the strategic direction of the university. The result of all the changes is a “flat” organisation, which can respond directly and collectively to developments in the social-cultural, political or economic environment of the university (Arnold et al, 2006: 38-39).

6.

In small private institutions, both governance and management structures and procedures may be simplified to the extreme. They are often reported in new private institutions in transition countries which have sometimes appeared out of nowhere, with no international or public subsidies, and which have been constantly in danger of collapsing (WSHIG in Poznan is a perfect example). The culture of financial survival, as reported in Spain, Russia, Moldova, and Poland, has been very strong. The consequences for management styles and managerial practices are significant: decisions are taken by 1-5 people, there is no collegiality and all major and most even minor decisions are actually taken by rectors/owners/funders. These simplified management structures seem to be possible only in relatively small institutions, with no major research ambitions and those which are relatively non-competitive work places for the staff. There are virtually no research funds available (both from private and public sources) and consequently most academic decisions are relatively non-controversial and teaching-related decisions. As in a Polish case of WSHIG:

The Academy has a stable organizational and management structure: the founder and the owner (Professor Roman Dawid Tauber) has been its rector in the whole period. All key decisions concerning WSHIG are taken by the rector. There is no Senate as the Academy is too small – but key academic decisions are confirmed by WSHIG’s Scientific Board, meeting 3-4 times a year (WSHIG is located in one building, with central administration on the same premises with lecture halls, library and professional training sites. Rector and his management team is able to intervene at any time, should any issues of concern arise). *The management team is small and very effective; it comprises rector and the three vice-rectors.* All senior administrative staff, including vice-rectors, has been working for WSHIG for a decade or more. *The key for the success of WSHIG is the loyalty of its staff, both administrative and academic.* Staff happens to complain but keeps working for WSHIG usually for many years, sometimes only changing academic or administrative units every few years. Also senior academic staff, especially core full-time professors, have been employed for many years now (mostly 5-10 years). In a small-size academic institution like WSHIG it is still possible for its rector to make all major decisions; and to make many minor decisions (EUEREK case study: WSHIG, 15).

The administration of entrepreneurial institutions studied managed to fuse new managerial values with traditional academic values; in no successful cases reported, the attempts to eradicate the traditional academic values and to replace them with managerial ones succeeded (a different story are “corporate universities”, private for-profit institutions, active largely in very selected areas of studies and research, including computing, accounting, business law etc; somehow surprisingly, this sector has been fully neglected in major case studies of entrepreneurial universities available on a European scale; they were studied separately, e.g. within the ongoing PROPHE “Program on Research of Private Higher Education” at SUNY/Albany). The reason seems to be that it is the traditional discipline-related departments where both major teaching and research is still being done. It is expected to be so in the future.

What do the agents of change/transformation do – those leaders located in the strengthened managerial core of entrepreneurial universities? They (Clark 1998: 137-138) seek other patrons in funding, work to diversify income and enlarge the pool of discretionary money available to an institution; seek out new infrastructure units (academic and administrative alike) that reach across old university boundaries, reach the outside world of firms and companies. They are necessary for the task of cross-subsidizing fields and degree levels, taxing richer programs and aiding those less fortunate (top-slicing the profits). So they seek to subsidize new activities and try to enhance old valuable programs. The steering core is responsible for keeping the right balance between rich and poor departments. Another example of successful managing by a senior management group comes from Strathclyde University (called there a “university management group”). Its composition and modes of operation are described as follows: “The ‘strengthened steering core’ is essentially demonstrated through the operations of the University Management Group (UMG), as the key group through which all major decisions can be quickly progressed. Like most major UK universities, Strathclyde has a Senate, which is responsible for all academic matters within the university and a Court or Governing Body, which is responsible for the management of the university’s resources. The UMG ... is the key management body that undertakes the formulation of major policy and oversees the operational management of the university on behalf of the Court and Senate. The UMG is chaired by the Principal and has a statutory membership of 10 comprising, in addition to the Principal, the Vice-Principal, the Pro-Vice-Principal, a Deputy Principal, the Secretary to the University and the five Deans of Faculty. ... The Group meets fortnightly and works to a tight, fully prepared agenda. It has its own Secretariat to prepare the business for its discussion. Decisions taken by UMG are reported to Senate and Court on a regular basis” (Sir John Arbuthnott, quoted in Clark 2004a: 25).

As reported from Twente University, the decentralization of the university and its entrepreneurialization may reach its limits. As its rector highlights, and entrepreneurial university can become too entrepreneurial and too decentralized: the discretionary funding base can become substantive enough to allow the base units to follow their own course of action, without reference to the overall institution. The base units can become self-supporting groups that can act as individual entrepreneurs. Thus the entrepreneurial university should not become a university of entrepreneurs (Clark 2004a: 40).

7.

The opposite direction – centralization – was taken in making the University of Warwick a model of European academic entrepreneurship: the core is strong and centralized, and departments are

basic units, there are no deans or faculties. It is at Warwick that an idea – and then university policy – of the “earned income” was formulated. An “Earned Income Group” became *the* instrument for entrepreneurialism, working on adding new sources of university revenues (in short: companies should not *give* us money, we want to *earn* it; as Michael Shattock put it: “we had to find ways to generate funding from other sources; we did not see why people or companies would simply give us money so we decided to earn it”). The “earned income policy” worked in the following way: the group was “top-slicing” various incomes generated by various units, it expected a “profit” from other units, professional managers were hired to run various units. Accounts were closely studied for current performance against set targets; successful performances were praised. Several accounts e.g. student residences were expected to merely break even but all the others had to operate under the dictate of earning income, according to overall “earned income” university policy. The university committees were allocating sums to departments and were controlling faculty positions. The committee system in operation at Warwick is described below:

Without extensive decentralization to faculty and departmental levels, Warwick has effected collegial steering by means of these central committees in which senior officers, some lay members of the council, and faculty members share responsibilities. With faculty clearly involved, hard choices can be made in supporting new initiatives and realigning traditional allocations of resources. The core incorporates the academic heartland into the center. In this structure, a university can be entrepreneurial without the CEO (the chief executive officer), the vice-chancellor in this case, necessarily being entrepreneurial. ... The third and current V-C, Sir Brian Follett (1993-) believes he was selected not because he was an entrepreneur, nor did he seek the position to become one. With a strong academic background in chemistry and biology, and experience in national science councils and funding bodies, his personal mission emphasized the strengthening of the sciences at Warwick. In short, steering capacity has been institutionalized in a committee structure that blends lay council members, elected academic representatives, and senior administrative officers (Clark 1998: 23, emphasis mine).

The innovative “flat management structure” introduced at Warwick has been very successful but it would not be possible to go forward without a (somehow complementary) system of powerful centralized committees. There is another description of the flat management structure, without reference to finances:

*A strengthened administrative core ... arguably is the most important of all the pathways taken to transform Warwick. In the balance between central control and departmental autonomy, this core is relatively centralized. ... Warwick argued that ... we particularly want a strong center that will stand for the overall institutional interest and offer an effective guiding hand. As part of this posture, the university has not created faculties as a strong form of organization between center and department: in 1995 despite increasing pressure from growth in size and complexity, faculty deans were notable for their absence. The institution prides itself on a "flat structure" of center and department. Departments have remained the building blocks of the university and their chairs have a significant role. The chairs relate directly to the vice-chancellor and such senior administrative offices as the registrar and finance officer. They also do not relate to a single apex committee, a structure we observe later in other settings, but **to a set of***

interrelated central committees, knitted together by overlapping membership, consisting of a small cadre of senior administrators together with a small group of professors elected by colleagues to play central roles. *This web of interlocked central committees has become the heart of Warwick's capacity to steer itself*" (Clark 1998: 21, emphases mine).

How to achieve strong management? There are several ways described on the basis of case studies of entrepreneurial institutions. The first method is to strengthen the role of vice-chancellor or principal. Other ways include the creation of deputy vice-chancellors as full-time, permanent or fixed-term appointments. Additionally, directors of finance and human resources are now usually key members of the senior management team. The key corporate functions of planning, estates, finances, human resources, learning and information, corporate services are likely to be represented alongside with the academic functions of teaching and learning, research and enterprise (see Middlehurst 2004: 272-273).

8.

The most frequent mistake made in attempts to transform universities is for a management team to proceed on its own without involving faculty and their departments from the outset, Clark claims (2004b). Some departments can and will move faster than others in understanding the benefits of entrepreneurial actions, their own as well as those located elsewhere in the university. Most social science and humanities departments may underestimate the role of new peripheral supporting units, and criticize their running costs (e.g. technology transfer or contracts and grants offices). Generally, science and technology departments lead the change, enabled by sources of support directly available to them and prepared by their experience in administering costly projects, labs, and equipment.

Departments positioned to raise income should be encouraged to do so by other departments, and thereby to contribute to the welfare of the entire university as well as their own. It is then a second-order problem to work out who decides what share of the enhanced resources each gets. It is here that the whole complicated issue of "*top-slicing*" and "*cross-subsidizing*" appears, and may cause substantial tensions within an organization. Both Clark's case studies and other European case studies of entrepreneurial universities show that there is uneven spread of entrepreneurialism within an institution, with various speed of change, most often depending on external opportunities. While in Western Europe and the US, apparently the most enterprising parts of the traditional academia (Clark's "academic heartland") are in the science and technology areas, in most transition countries as confirmed by case studies available the most entrepreneurially-minded units, departments, institutions, as well as academics, are those "soft" areas: economics, law and business, management, marketing, sociology, political sciences. These are the areas in which the largest part of private sector operate, and in which public sector runs its most enterprising study programs for fee-paying students (all Polish, Russian, and Moldavian case studies confirm this tendency). Also the availability of grants, including international research grants, in these areas seems considerable.

As evident from EUERЕК case studies, in transition economies "soft" disciplines, including especially economics and business and social sciences, are much more easily fundable, and consequently are much more agents of entrepreneurial changes in academic institutions. Managing resource allocation in entrepreneurial universities studied is most often operationalized

through committees: small and medium sized (see also Sharma 2004: 112-113).

An excellent example of financial management with respect to the earned income – a crucial component of the third stream of university income, perhaps most valuable to the university from the standpoint of its entrepreneurial character – is provided by the University of Warwick. The university, administered through the system of central committees, has a strong capacity to “top-slice” the profits and to “cross-subsidize” (for a variety of reasons) less financially successful departments which makes it possible to help those departments which cannot easily raise their money or to support new academic or administrative undertakings. As Shattock explains the Warwick case: “The earned-income approach at Warwick is muscled by a strong capacity to “top-slice and cross-subsidize.” This capacity is the backbone of *the ability to come to the aid of departments (and specialties within them) that cannot readily raise money on their own, and to back completely new ventures*. As the registrar explained to European rectors in a 1994 conference (Shattock, 1994a, p. 4): ‘Some departments, e.g., the Business School and Engineering, are more obviously capable of generating external income than say Sociology or the History of Art but because, once the departmental share is separated off, the university's share [the top slice] is simply pooled with government funds and allocated on academic criteria, all departments benefit. It is accepted that it is to the university's advantage that those departments that can generate income should support those departments that are simply unable to do so [the cross-subsidy]’. Departments that regularly have monies taken away in this fashion are, of course, not always happy about it. The center then has to have the power and legitimacy to say “it is accepted” because this is the way we build the university as a whole” (Clark 1998: 24; see also Shattock on the earned income policy in 2004b: 225-235).

9.

EUEREK (and other) case studies confirm the pivotal role of changing governance at most entrepreneurially-oriented universities in Europe. It seems clear that the general line of thinking is that current governance and management structures at most European universities are obsolete and do not provide an adequate basis to reach the goals envisaged by the European Commission within the Lisbon Strategy. The issue of university funding is closely linked to that of governance: as the communication on “Mobilising the Brainpower of Europe” remarks, “investing more in the current system could be perceived as unproductive, or even counter-productive” (EC 2005a: 8; on how to close the funding gap in European higher education, see Mora 2005). The system needs profound changes which have been spotted at the most entrepreneurial (mostly UK) universities: more accountability, financing linked to academic performance (e.g. a balance between core, competitive, and performance-based funding; more competition-based funding in research and more output-related funding in education) and the wider use of market (or quasi-market) mechanisms (see also Temple 2006). These changes require new governance and management systems, often already tested in selected European institutions. The determination of the EC to implement the “modernization agenda” for universities can be confirmed by emphatic references to other sectors where reforms have been seen, with various degrees of success, as unavoidable: the steel industry and agriculture. The EU now faces “the imperative to modernize its ‘knowledge industry’ and in particular its universities” (EC 2005a: 10).

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