

## Chapter 5

# Academic Entrepreneurialism vs. Changing Governance and Institutional Management Structures in European Universities

### 5.1. Introduction

In this chapter we will discuss a historically relatively new phenomenon in European higher education systems, emergent in various geographical locations across the continent: academic entrepreneurialism – especially with regard to governance and management (entrepreneurialism viewed, following Shattock, as “a drive to identify and sustain a distinctive institutional agenda which is institutionally determined not one [which is] effectively a product of a state funding formula”, 2009b: 3). Entrepreneurial universities seem to be increasingly important points of reference for international and European-level policy discussions about the future of higher education.<sup>182</sup>

The term “entrepreneurial” in relation to universities is not of critical importance; in research literature, entrepreneurial universities, from various perspectives and with emphases focused on different aspects of their functioning, can also be termed “successful universities” or “self-reliant universities” (Michael Shattock), “enterprise universities” (Simon Marginson and Mark Considine), “enterprising universities” (Gareth Williams), “innovative universities” (Burton Clark), “adaptive universities” (Barbara Sporn), “responsive universities” (William G. Tierney), or, in the American context, they can be considered as academic institutions involved in the academic capitalism in the emergent “capitalist academic knowledge/learning regime” (Sheila Slaughter, Gary Rhodes, and Larry L. Leslie; see Shattock Shattock 2003a, Shattock 2006, Shattock 2009a, Marginson and Considine 2000, Williams 2004, Sporn 1999, Tierney 1998,

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182 See, for instance, contributions to annual University-Business Forums in the last few years and two recent projects: an EC-funded “Entrepreneurial Universities – a Guiding Framework for Europe”, and an OECD project “LEED Forum on Partnerships and Local Governance”.

Clark 1998a, Clark 2004a, Slaughter and Leslie 1997, Slaughter and Rhoades 2004). The term does not matter much – although it certainly captures both public and academic attention. What matters is rather novel ways of functioning of certain educational institutions in Europe which increasingly differ from the functioning of their neighboring traditional educational institutions in the same national systems. The league of entrepreneurial universities is relatively small. In recent years, though, the term has been widely popularized in research and policy literature in higher education, with a bulk of books and papers referring often to Burton Clark and Henry Etzkowitz, both working in different traditions (Clark 1998a and Clark 2004a on the one hand, and Etzkowitz 2001, Etzkowitz 2002, Etzkowitz 2008, Etzkowitz and Webster 1998, Etzkowitz, Schuler and Gulbrandsen 2000, Etzkowitz and Zhou 2008, Etzkowitz, Ranga, Benner *et al.* 2008 on the other). The papers on “entrepreneurial universities” and “academic entrepreneurship” are being published in top academic higher education journals (such as *Higher Education, Educational Philosophy and Theory, Higher Education Management and Policy* or *Higher Education Quarterly*) on the one side, and top science policy, public policy, and technology transfer journals (such as *Science and Public Policy, Research Policy, Journal of Technology Transfer, Industrial and Corporate Change* or *Technovation*) on the other side.<sup>183</sup>

Entrepreneurial institutions, functionally similar although variously termed, currently seem to be an almost natural reference points in both national discussions on reforming higher education systems, and especially a shift in its financing towards more financial self-reliance, as well as in EU-level discussions on how to secure the sustainable development of public universities in increasingly hostile financial environment and increasingly powerful intersectoral competition for public subsidies of higher education with other state-funded public services (the current economic crisis in Europe makes the competition more tough, and makes seeking new

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183 See especially Soares and Amaral 1999, Guerrero, Kirby and Urbano 2006, Nelles and Vorley 2010a, Duberley, Cohen and Leeson 2007, Meyer 2003, O’Shea, Allen, Morse, O’Gorman and Roche 2007, Liesner 2006, Gjerding, Wilderom, Cameron, Taylor and Scheunert 2006, Nelles and Vorley 2010b, Siegel, Wright and Lockett 2007, Martinelli, Meyer and Tunzelmann 2008, Todorovic, McNaughton and Guild 2011, Pilegaard, Moroz and Neergaard 2010, Philpott, Dooley, O’Reilly and Lupton 2011, Kristensen 1999, Jacob, Lundqvist and Hellsmark 2003, Svensson, Klofsten and Etzkowitz 2012, and Kirby, Guerrero and Urbano 2011.

arguments for new levels and new modes of public subsidies more relevant than ever before in the last two decades).

An important point of reference of this chapter is the future role of universities from the perspective presented and promoted for more or less a decade (throughout the 2000s and beyond) by the European Commission, especially in the context of the transformation of university management and university governance. The second part of the chapter presents changes as suggested by the European Commission (in the framework of broad discussions on the emergent European Higher Education Area and the European Research Area, or EHEA and ERA, and on the Bologna Process and the Lisbon Strategy). Next we analyze academic entrepreneurialism, as emerging from recent European comparative (theoretical and empirical) studies in this area, especially a three-year international research project EUERЕК (“European Universities for Entrepreneurship: Their Role in the Europe of Knowledge”).<sup>184</sup> In the third part, academic entrepreneurialism is

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184 The EUERЕК case studies included 27 universities from seven European countries (Spain, the United Kingdom, Finland, Sweden Poland, Moldova, and Russia) and they were prepared within the project “European Universities for Entrepreneurship – Their Role in the Europe of Knowledge”, funded through the 6th Framework Programme of the European Union (2004-2007), coordinated by the Institute of Education, University of London (Michael Shattock, Gareth Williams, and Paul Temple). The twenty-seven case study institutions were the following: Helsinki School of Economics, University of Lapland, and University of Tampere in Finland; Balti State University, Academy of Economic Studies of Moldova, Moldova State University and Trade Cooperative University of Moldova in Moldova; Adam Mickiewicz University in Poznań, Academy of Hotel Management and Catering Industry in Poznań, and Poznań University of Economics in Poland; Baikal Institute of Business and International Management of Irkutsk University, Higher School of Economics, Moscow, and Institute of Programming Systems of the Russian Academy of Sciences, University of Pereslavl in Russia; Cardenal Herrera University, Miguel Hernandez University, Technical University of Valencia, University of Alicante, University Jaume I of Castellon, and University of Valencia in Spain; Lund University, Jönköping University, Umea University, and Royal Institute of Technology in Sweden; London School of Hygiene and Tropical Medicine, University of Buckingham, University of Nottingham, and University of Plymouth in the United Kingdom. The authors of case studies were: Jenni Koivula for Finland, Petru Gaugash and Stefan Tiron for Moldova, Marek Kwiek for Poland, Stefan Filonovich for Russia, the Valencia CEGES team led by José-Ginés Mora for Spain, Bruce H. Lambert, Aljona Sandgren, and Gorel Stromquist for Sweden, and Gareth Williams, Michael Shattock, Rosa Becker and Paul Temple for the United Kingdom. The case studies are publicly available from [www.euerек.info](http://www.euerек.info). The author would like to express his

linked to risk management at European universities and legal and institutional conditions that favor its formation are studied. Increased risk is associated with an increase in uncertainty currently experienced by the vast majority of European education systems. In the fourth part, we study a clash of traditional academic values with managerial values in the functioning of academic institutions, and we address the issue of academic entrepreneurialism in the context of traditional academic collegiality, various ways of minimization of tensions in the management of educational institutions. And in its sixth part, we pass on to the discussion of complex relationships between academic entrepreneurialism and centralization and decentralization of the university power. In the seventh part, we discuss the location of academic entrepreneurialism in different parts of educational institutions. Conclusions come back to a wider vision of higher education as it appears in the documents of the European Commission and shows their convergences and divergences with academic entrepreneurialism as studied through empirical material throughout the chapter.

## **5.2. University governance and the European Commission on the role of universities in the knowledge economy**

*The public policy perspective, or why the voice of the EC matters*

In recent discussions about the future of public universities in Europe, the issue of their governance and management structures figures prominently (e.g. Bleiklie and Henkel 2005, Paradeise, Reale, Bleiklie and Ferle 2009, and Amaral, Neave, Musselin and Maassen 2009). It is especially interesting to take into account the ongoing discussions on the “modernization agenda” of European universities prepared and modified over the years by the European Commission (for a recent position, see EC 2011a, EC 2011b and its Europe-wide discussions in a recent collective volume, Kwiek and Kurkiewicz 2012). From an academic perspective – that is, from the perspective of higher education research *per se* – this is not a particularly

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gratitude to the whole international EUEREK research team; the responsibility for all limitations and mistakes of this and the next chapter rests entirely with him.

inspiring or innovative agenda; the agenda's major shortcoming from an academic perspective is that it is based on strong beliefs rather than systematic research in the area (as stressed by Maassen and Olsen 2007). But from the perspective of public policy, the voice of the Commission in the discussions about the future of the institution of the university in Europe cannot be ignored as the Commission, on an international plane, is one of the major ideological players providing arguments used in national-level discussions throughout Europe, and especially in new postcommunist EU member states. There are several reasons to focus here briefly on the modernization agenda in its subsequent versions.

Firstly, together with the far-reaching integration of higher education and research in Europe, the future of European universities is indirectly dependent on discussions at the European level (Maassen and Olsen 2007, Maassen and Musselin 2009, Amaral, Neave, Musselin and Maassen 2009; and historically, Corbett 2005): the gradual Europeanization of higher education, changing the image of higher education in Europe, is accompanied by the increasing Europeanization of the discourse on higher education (Dale 2007, Dale 2008a, and Dale 2009a). While the form, underlying concepts and working vocabulary of this discourse have no direct impact on individual institutions and individual academics embedded in their national systems (and have little influence on directions of further research, even in such academic sub-fields as higher education research), European-level discussions can have a huge impact on national educational policies emerging today in different EU countries (and far beyond the European Union – under the Bologna Process, see Zgaga 2007). They can also have a powerful impact, perhaps above all, on the modes of thinking about a whole range of wider issues related to the functioning of universities (changing funding, management, and governance modes, changing teaching structures, changing curricula and research priorities, links between universities and the industry, higher education credentials as public or private goods, priority teaching areas, common spending patterns on higher education according to their level, etc.) on the part of policymakers. European integration as a political and economic project embraces universities to an ever higher degree (Maassen and Olsen 2007).<sup>185</sup>

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185 As a recent “European Commission Staff Working Document: Supporting Growth and Jobs: an Agenda for the Modernisation of Europe's Higher Education Systems” highlighted, “clear advantages in working together” in higher education in Europe

Secondly, the subsequent statements (mostly “communications” but also numerous accompanying documents, see especially EC 2003, EC 2005, EC 2006, and most recently, EC 2011a and EC 2011b) of the European Commission are important from a policy perspective because they fit perfectly the global and transnational modes of thinking about the future of universities and express similar ideas to those promoted by, for example, the OECD in relation to the most developed countries and the World Bank – in relation to developing countries (both are “agenda-setters” in global education policy, as Ougard 2010 terms the role; see in particular OECD’s role in Henry, Lingard, Rizvi and Taylor 2001, Jakobi and Martens 2010, Jakobi 2009, Martens 2007, Martens, Rusconi and Leuze 2007, and Martens and Weymann 2007). They are an important driving force behind the creation of a higher education discourse common to major global and European players in the policy of higher education reforms, often (as in less mature systems, in need of deeper structural changes) in conjunction with mechanisms of financial and technical assistance and expertise. This is especially the case in the context of the third reason, commonly expressed by these institutions and, to a relatively large extent, by the social sciences: the current paradigmatic shift to knowledge-based societies and knowledge-driven economies (Etzkowitz 2008, Etzkowitz, Webster and Healey 1998, and Etzkowitz and Leydesdorff 2001). Under the new paradigm, the role of universities in both society and economy is critical because they are recognized as tools of technological progress (through knowledge transfer and technology transfer) and driving forces of economic growth and development (through research, development and innovation). These three reasons (and their catalogue is much longer) – the role of the European integration, an emergent common global discourse on the future of

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provide a mandate to the European Commission to be involved in its “modernization agenda” of European universities: “higher education plays an essential role in Europe’s collective well-being, creating new knowledge, transmitting it to students and fostering innovation. Within Europe, national and regional governments are responsible for education and training systems and individual higher education institutions have considerable, albeit variable, autonomy in organising their own activities. However, many challenges facing higher education are similar across the EU and there are clear advantages in working together. The role of the European Commission is thus to support the efforts of public authorities and institutions themselves to modernise Europe’s higher education systems to respond to today’s social and economic challenges” (EC 2011b).

universities, and new ideas of knowledge-based societies and knowledge-driven economies – provide the rationale to discuss briefly here the European Commission’s stance about the future of universities in Europe presented over the last ten years. Following this section, we shall return to “academic entrepreneurialism”, to see the links in conclusions to the chapter.

### *A profound change in relationships needed?*

The overall picture on reading recent EU official documents, publicly available reports, working papers and programmatic communications (the latter often translated in all official EU languages) is that the relationships between governments and universities are in need of a profound change. The two documents, “Mobilising the Brainpower of Europe: Enabling Universities to Make Their Full Contribution to the Lisbon Strategy” (EC 2005b) 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, 2003a, 2003b, 2003c) 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 (and today, to the Europe 2020 strategy). Also a recent communication about “an agenda for the modernization of Europe’s higher education systems” indicates that the role of universities and broadly defined research (however, primarily research performed outside of universities and in the corporate sector, or research performed in partnerships between universities and the private sector) will increase dramatically (EC 2011a, EC 2011b, see Kwiek and Kurkiewicz 2012 for detailed academic discussions organized in the context of the 2011 Polish Presidency of the European Union) As the 2011 Communication shows the overall picture of European higher education, there are numerous “drawbacks” in it. The potential of universities remains “underexploited”, and despite the expansion, the European workforce is still undereducated in view of future needs of the economy; there are also too few researchers (especially in the corporate sector) and graduates do not seem to show the right mix of features sought by European employers:

the potential of European higher education institutions to fulfill their role in society and contribute to Europe's prosperity remains underexploited; Europe is

no longer setting the pace in the global race for knowledge and talent, while emerging economies are rapidly increasing their investment in higher education. While 35% of all jobs in the EU will require high-level qualifications by 2020, only 26% of the workforce currently has a higher education qualification. The EU still lags behind in the share of researchers in the total labour force: 6 per 100, compared to 9 in the US and 11 in Japan. The knowledge economy needs people with the right mix of skills: transversal competences, e-skills for the digital era, creativity and flexibility and a solid understanding of their chosen field (such as in Science, Technology, Engineering and Maths). But public and private employers, including in research intensive sectors, increasingly report mismatches and difficulties in finding the right people for their evolving needs. At the same time the potential of European higher education institutions to fulfill their role time, higher education institutions too often seek to compete in too many areas, while comparatively few have the capacity to excel across the board (EC 2011a: 2).

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 2005b: 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).

### *Key reform areas*

Following the launch of the Europe 2020 strategy, reforms are needed in several key areas, as a most recent communication shows:

In order to maximise the contribution of Europe's higher education systems to smart, sustainable and inclusive growth, reforms are needed in key areas: to increase the quantity of higher education graduates at all levels; to enhance the quality and relevance of human capital development in higher education; to create effective governance and funding mechanisms in support of excellence; and to strengthen the knowledge triangle between education, research and business. Moreover, the international mobility of students, researchers and staff, as well as the growing internationalisation of higher education, have a strong impact on quality and affect each of these key areas (EC 2011: 2)



In particular, changes in governance are needed, according to the Commission: according to new university/government contracts envisaged by the Commission, 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” is needed, with full autonomy as a pre-condition for universities (EC 2005b: 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 their public funding:<sup>186</sup>

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

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186 It is difficult to agree with this position, especially in regard to Central and Eastern European EU member states; we tend to think that changes in public universities should be taking place simultaneously in the two key areas – namely in university management and governance and in university funding. The reforms in the region that change management and organization of universities and do not introduce fundamental changes in their funding modes (and, in most cases, their funding levels) are, we believe, doomed to failure. For many years, there have been public and academic disputes on this issue in higher education research in Europe: whether it is more fruitful to analyze university funding modes (e.g. Gareth Williams, starting from his volume for the OECD, OECD 1990, Williams 1992) or university governance structures (e.g. two classic volumes, Maurice Kogan, Mary Henkel and Steve Hanney, *Government and Research. Thirty Years of Evolution*, 2006, and *Transforming Higher Education. A Comparative Study*, 2006, and two recent works devoted to Kogan’s and Henkel’s ideas: *From Governance to Identity. A Festschrift to Mary Henkel*, Amaral, Bleiklie and Musselin 2008, and Paradeise, Reale, Bleiklie and Ferlie, *University Governance. Western European Comparative Perspectives*, 2009). European higher education research tends to focus more on university governance, and less on university funding. In American higher education research, the proportions between the two perspectives seem more balanced. At the same time, however, we have to agree with Michael Shattock (Shattock 2003a: ix) who argues in the opening lines of his *Managing Successful Universities* that “successful universities are successful primarily because of their teaching and research, not because of their management, but good management can over time provide the conditions in which teaching and research can flourish, just as, more usually, poor management can undermine teaching and research and precipitate institutional decline”.

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 chapter focuses on the first two, and especially on the “strengthened steering core”, the first of five elements of the entrepreneurial university, the university’s “administrative backbone” stretching from central university bodies to its major faculties, departments, and institutes (in Burton Clark’s classic formulation in *Creating Entrepreneurial Universities*, the remaining four elements are an expanded developmental periphery, a diversified funding base, a stimulated academic heartland, and an integrated academic culture, Clark 1998a: 5, as we will discuss in detail in the next chapter; see also Clark 2004a and Clark 2004b). Here we will leave aside the pertinent issue of the future of national (and potentially – European-wide) quality assurance systems (see Dill and Beerkens 2010; or a new Europe-focused line of research in van Vught 2009b, van Vught and Ziegele 2012, and van Vught, Westerheijden, and Ziegele 2012).

A more general issue (reaching beyond university governance and management) raised frequently by the European Commission in the last few years is the following: are the transformations facing European universities radical – and if so, why? As a communication on “Investing Efficiently in Education and Training: an Imperative for Europe” argues, the challenge in education and training is likely to be bigger than envisaged in Lisbon in 2000: “simply maintaining the status quo or changing slowly would clearly be hugely inadequate in the face of such a massive challenge” (EC 2003d: 11). Quick actions are needed then.<sup>187</sup>

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187 The Commission’s conviction about the need to carry out radical reforms of European universities remains largely an (ideological) conviction, as Peter Maassen and Johan P. Olsen commented briefly: “strong convictions, weak evidence” (Maassen and Olsen 2007: 13), or in other words – the universities in Europe are still “under-researched, over-debated”.

### *The role of universities in the Europe of Knowledge: to adapt and to adjust?*

How does the Commission see the role of universities? The European Union today needs “a healthy and flourishing university world”; it needs more “excellence” in its universities. At present, though, just as the situation of research is “worrying”, the situation of universities is “bad” because universities are not “globally competitive ... even though they produce high quality scientific publications” (EC 2003b: 2). European universities generally have less to offer than their main competitors, the communication goes on to argue. Following the criticism of the first communication about the common European research area regarding the mission of universities, the European Commission wanted to be as careful as possible about the role of universities, stating, *inter alia*, that universities still “hold the key to the knowledge economy and society” (EC 2003b: 5); universities are also “at the heart of the Europe of Knowledge” (EC 2003b: 4). At the same time, the stakes are very high and universities in the form in which they are functioning now are not acceptable in the Commission’s view. Its largely economic (and sometimes economistic) perspective is quite clear and the idea is conveyed in many passages of the communication in fairly strong formulations.

European universities have “enormous potential” but this potential “is not fully harnessed and put to work effectively to underpin Europe’s drive for more growth and more jobs”. Research is no longer isolated activity and emphasis in research is shifting from individual researchers to “teams and global networks” (EC 2006a: 3). Therefore universities need autonomy and accountability; and full institutional autonomy to society at large requires new internal governance systems, based on strategic priorities, professional management of human resources, investment and administrative procedures (EC 2006a: 5). From a larger perspective, as the title of another EU communication put it, the implementation of the Lisbon Strategy requires “fostering entrepreneurial mindsets through education and learning” (EC 2006c), from primary to secondary to higher education. With reference to the latter, the document promotes the commercialization of ideas and development of new technologies by students and researchers (EC 2006c: 9).

Consequently, universities face an imperative need to “adapt and adjust” to a series of profound changes Europe has been undergoing (EC 2003b: 6). They must rise to a number of challenges. They can only release

their potential by undergoing “the radical changes needed to make the European system a genuine world reference” (EC 2003b: 11). They have to increase and diversify their income in the face of the worsening underfunding. The great golden age of universities’ Ivory Tower ideal (not mentioned in the communication by name, though) is over:

[A]fter remaining a comparatively isolated universe for a long period, both in relation to society and to the rest of the world, with funding guaranteed and a status protected by respect for their autonomy, European universities have gone through the second half of the 20<sup>th</sup> century without really calling into question the role or the nature of what they should be contributing to society (EC 2003b: 22).

The fundamental question about European universities today is the following: “Can the European universities, *as they are and are organised now*, hope in the future to retain their place, in society and in the world?” (EC 2003b: 22, emphasis in original). It is a purely rhetorical question in the context of the whole communication on the “role of universities in the Europe of Knowledge”: the universities in Europe – as they are and as they are organized today – will *not* be able to retain their place. Restructuring is necessary, and a much wider idea of European social, economic and political integration applied to the higher education sector, expressed in the ideals of a common European higher education area, comes in handy. Let us recall the goal of the common research area in another formulation (from “Strategy for a Real Research Policy in Europe”) to see how far away it is from traditional views on the social role of the university: the university’s goal is the creation of an area for research where scientific resources are used “to create jobs and increase Europe’s competitiveness” (EC 2000a: 1). Universities today are increasingly responsible to their stakeholders, especially to students and their parents, employers, and (largely) the state; university training does not only affect those who benefit directly from it, the inefficient use of resources by public universities affects society at large. Thus the objective, the European Commission goes on to argue, is to “maximise the social return of the investment” or “to optimise the social return on the investment represented by the studies it [i.e. society] pays for” (EC 2003d: 14).

It comes as no surprise that what provides the perspective for looking at higher education is the “relevance of education/training to the Lisbon goal” rather than relevance to anything more general (EC 2003a: 6), which in other chapters of this book we have called culture (Anglo-Saxon) or *Bildung* (German), both in national, as well as individual, aspects. Making Europe a

leading knowledge economy would be possible “only if education and training functioned as factors of economic growth, research and innovation, competitiveness, sustainable employment and social inclusion and active citizenship” (EC 2003a: 6). Thus what is needed today is a “new investment paradigm” in education and training – what is going to change is not only the variables of the investment model but also the underlying parameters (EC 2003a: 9). The communication mentions briefly the Bologna Process (and the Bruges-Copenhagen process in the European integration of vocational training) as examples of moves in the right direction, but hastens to add that “the pace of change does not yet match the pace of globalization, and we risk falling behind our competitors if it is not increased” (EC 2003a: 10).

In terms of funding, generally, in several recent communications the issue of private investment in both research and higher education was raised. The increase in research and development investments in the EU (from the current 1.9 percent to 3 percent of GDP by 2010) was expected to come largely from private rather than public funds. The communication on “Investing Efficiently in Education and Training” reminds that

it is very important to realize that the largest share of this deficit stems from the low level of private investment in higher education and research and development in the EU compared with the USA. At the same time, private returns on investment in tertiary education remain high in most EU countries (EC 2003d: 13).

Consequently, if we take together the low *private* investment levels in higher education (low private share in the costs of studying) and the high *private* returns on university education (higher professional status combined with the higher salaries of graduates from European universities), the answer given is to add to public funding by “increasing and diversifying” investment in higher education (EC 2003d: 13). But as Henry and colleagues described the apparent paradox a decade ago, “though education is now deemed more important than ever for the competitive advantage of nations, the commitment and capacity of governments to fund it have weakened considerably” (Henry *et al.* 2001: 30-31).

The European Commission in its paper on “Mobilizing the Brainpower of Europe” enumerates several “bottlenecks” to university reforms: uniformity in programs and methods, insularity from the industry, over-regulation by the state, under-funding and dependency on state funding (EC 2005b: 3-4). The university modernization agenda includes the three aspects: attractiveness of European higher education systems, their funding,

and their governance and institutional management issues, and funding. The Commission continuously urges the EU member countries to encourage universities to seek additional private sources of funding (from companies – for research, and increasingly, from individuals through tuition – for teaching). And finally, in its communication on the modernization agenda of the university from 2006, “Delivering on the Modernisation Agenda for Universities: Education, Research, and Innovation”), the Commission described clearly recommended, future financial strategies for the European universities:

Universities should be funded more for what they do than for what they are, by focusing funding on relevant outputs rather than on inputs, and by adapting funding to the diversity of institutional profiles. Universities should take greater responsibility for their own long-term financial sustainability, particularly for research: this implies pro-active diversification of their research funding portfolios through collaboration with enterprises (including in the form of cross-border consortia), foundations and other private sources. Each country should therefore strike the right balance between core, competitive and outcome-based funding (underpinned by robust quality assurance) for higher education and university-based research (EC 2006a: 5)

As underlined in the CEGES report on private rates of return from higher education and on European models of its financing, “not only more resources are needed, the way of allocating public funds and the ability for obtaining private funds are also key aspects for the modernisation of European higher education” (CEGES 2007: 12). The Commission defines several key policy issues for both EU member states and for individual higher education institutions. They include the following:

Stimulate the development of entrepreneurial, creative and innovation skills in all disciplines and in all three cycles, and promote innovation in higher education through more interactive learning environments and strengthened knowledge transfer infrastructure. Strengthen the knowledge-transfer infrastructure of higher education institutions and enhance their capacity to engage in start-ups and spin-offs. Encourage partnership and cooperation with business as a core activity of higher education institutions, through reward structures, incentives for multidisciplinary and cross-organisational cooperation, and the reduction of regulatory and administrative barriers to partnerships between institutions and other public and private actors. Promote the systematic involvement of higher education institutions in the development of integrated local and regional development plans, and target regional support towards higher education-business cooperation particularly for the creation of regional hubs of excellence and specialisation (EC 2011a: 11).

In this chapter, we are focusing on governance and management issues in the context of entrepreneurial universities studied within the EUERЕК project. There seems to be a complementarity between what the Commission, largely intuitively and without much reference to empirical studies on European universities, highlights about them and what empirical case studies actually show as the current reality in a small segment of European entrepreneurially-focused institutions. In other words, what is highlighted in European-level policy documents, as discussed above, to a sometimes astonishingly high extent, is already occurring in (segments of) higher education systems across Europe, as discussed below.

### **5.3. Academic entrepreneurialism and risk management**

In the above context of the recent EU-level emphasis on the necessary radical changes in governance structures in European universities, let us focus on the meso-level of particular institutions: what changes can be observed there, and what trends the changes may be implicating. The question could be to what extent what the Commission highlights in a long sequence of its policy documents about European universities (widely promoted as their “modernization agenda”, Kwiek and Kurkiewicz 2012, Maassen 2012, Zgaga 2012) is supported by empirical research on universities across the continent? To what extent the “bottlenecks” of university reforms the Commission specifies are already reformed, and to what extent ongoing changes take directions described in a relatively intuitive manner in the documents promoted by the Commission? As one of the key emergent dimensions of universities in terms of the Commission is their entrepreneurship (without specific definitions, and in a rather common-sense meaning of the term), it is interesting to analyze here academic research on entrepreneurialism conducted over the past few years in Europe (and over a decade in the U.S).

#### *Academic entrepreneurialism and revenue generation*

The context for further analysis is “academic entrepreneurialism” viewed by Michael Shattock (2009b: 4) as:

Entrepreneurialism in a university setting is not simply about generating resources – although it is an important element – it is also about generating activities, which may have to be funded in innovative ways either in response to anticipated and / or particular market needs or driven by the energy and imagination of individualism, which cumulatively establish a distinctive institutional profile. Entrepreneurialism is a reflection both of institutional adaptiveness to a changing environment and of the capacity of universities to produce innovation through research and new ideas.

Academic entrepreneurialism thus but concerns the generation of activities that define and establish a clear institutional profile (although these actions may “need to be financed in an innovative way”, and that profile can be born in response to the “identifiable and specific market needs”, Shattock and Temple 2006: 1-2).<sup>188</sup> The enterprising university, as proposed by Gareth Williams (2003), is a useful generic name describing a multitude of changes occurring in the mission, management and funding that a number of European universities have been undergoing for twenty years (Williams and Kitaev 2005: 126). Williams argues for the following relationships between entrepreneurialism (including: academic entrepreneurialism), innovation, risk and financial dimension of functioning of the institution:

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188 Entrepreneurship was defined in the OECD’s *Fostering Entrepreneurship: The OECD Jobs Strategy* in a very similar way: through the concepts of innovation, adaptability and risk (OECD 1998a: 11). “Entrepreneurs are agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative ideas. ... Entrepreneurs not only seek out and identify potentially profitable economic opportunities but are also willing to take risks to see if their hunches are right. While not all entrepreneurs succeed, a country with a lot of entrepreneurial activity is likely to be constantly generating new or improved products and services. It is also likely to be highly adaptable, so that opportunities are seized upon as soon as they emerge”. In many respects, this description can be almost directly applied to “entrepreneurial universities” analyzed in this chapter. It is worthwhile to confront emerging theories of academic entrepreneurialism with economic and sociological research on entrepreneurship treated as a field of research (see, for example, such volumes as Lundström and Stevenson, *Entrepreneurship Policy: Theory and Practice*, 2005, *Handbook of Entrepreneurship Research*, Alvarez, Agarwal and Sorenson 2005, Kirby’s *Entrepreneurship*, 2003, Lowe and Marriott’s *Enterprise: Entrepreneurship and Innovation. Concepts, Contexts and Commercialization*, 2006, and numerous works over the years by David Audretsch and Zoltan Acs, for instance their *Handbook of Entrepreneurship Research. An Interdisciplinary Survey and Introduction*, 2010. See also a line of research developed by Scott Shane within his “general theory of entrepreneurship” (Shane 2004, Shane 2005a, and Shane 2005b).



Entrepreneurialism is fundamentally about innovation and risk taking in the anticipation of subsequent benefits. Neither the innovations and risks nor the expected benefits need necessarily be financial, but it is rare for them to have no economic dimension. Finance is a key indicator and an important driver of entrepreneurial activity. The main link between entrepreneurial activity in universities and the knowledge economy is Adam Smith's 'invisible hand'. Universities are institutions that advance their reputations and their wealth by creating and disseminating knowledge. If the innovations that they make and the risks that they take accelerate useful knowledge creation and its transfer into social and economic practice, their entrepreneurialism contributes to a knowledge-based society (Williams 2009: 9; "risk-taking" became a crucial element of academic entrepreneurialism for the first time in Williams 2004).

When can academic entrepreneurialism emerge in educational institutions, what favors its emergence, formation, and stabilization, and institutionalization, and what, in turn, makes it institutionally hardly conceivable? Empirical research on European universities indicates that, in general, where funding is provided at an adequate level, academic entrepreneurialism occurs rarely: two parallel factors are conducive to it: financial shortfalls (as referred to the whole public sector services and the welfare state by Paul Pierson throughout the preceding two chapters – "permanent austerity") and financial opportunities that institutions and individuals can benefit from on a competitive basis; slight underfunding of universities but not large underfunding from basic public sources (as Williams formulated the idea: funding should be tight but not inadequate; adequate but not too generous, etc.).<sup>189</sup>

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189 As elegantly summarized by Williams (2008: 9), "any organization with an assured income at a level that is adequate in relations to its needs and aspirations has little motivation to undertake risky innovations. In addition, if a university is not able to retain the external income it generates, there is little economic incentive to seek to supplement its core allocations from government by selling academic services. ... In contrast, when the assured income is inadequate to meet the goals of an organization and the university is able to retain any supplementary income it generates, incentives are created to seek new sources of revenue and this often means developing new ideas, and taking risk to transfer knowledge into productive activity. Financial stringency and financial opportunities have been the main drivers of entrepreneurial activity in the case study institutions". But at the same time, the engagement of a university in entrepreneurial activities is not possible in conditions of its severe underfunding, and it is best exemplified by universities from the European postcommunist transition countries. Similar conclusions on subsidizing technology transfer to those reached in the EUEREK project were also reached in another European project, GOODUEP

### *Collegial, bureaucratic, and entrepreneurial management styles in higher education*

Let us confront European Commission's views about the necessary changes in governance and management structures in universities briefly analyzed in the preceding section of this chapter with recent ideas about the entrepreneurial university. In general terms, three basic university management structures and styles can be identified: collegial, bureaucratic and entrepreneurial (Williams 2004: 84-92, or collegial, bureaucratic, and market forms of resource allocation in universities, Williams 1992: 135-140). 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” (see Kwiek 2012a on a “misery for all” in Polish higher education). 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. As a UK EUEREK national report highlights,

Financial stringency, competition, and market responses require quick decisions and flexible implementation of them. Traditional consensual and collegial management structures were no longer considered to be effective. In a competitive environment, management needs to be geared towards performance: universities have had to streamline their decision-making processes, be more alert to income earning possibilities and be prepared to take some risks. ... The diversification of funding sources led to strengthening of financial management. Transparent models of internal resource allocation were introduced that made it clear which departments were generating financial surpluses for the university and which deficits (EUEREK national reports: the UK).

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(*Good Practices in University-Enterprises Partnerships*, 2007-2009) in which, among others, selected university-enterprises partnerships in Europe were studied in detail; see Chapter 6 for the analysis of some findings.

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).

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

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 [vice-chancellor], 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 (EUERЕК case studies: University of Buckingham, the UK).<sup>190</sup>

### *The crucial role of risk-taking*

Academic entrepreneurialism involves risk-taking (Shattock 2003, Williams 2007b: 19).<sup>191</sup> In most EUERЕК case studies, institutions have to deal with a high level of risks on a daily basis; in private institutions, *the* major risk

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190 References to the case studies throughout this and the next chapter will have the following format: EUERЕК case studies: the name of the institution, page number).

191 Risk-taking in general is becoming one of key terms to describe our societies: Anthony Giddens (1999: 35) argues that “active risk-taking is a core element of a dynamic economy and an innovative society. Living in a global age means coping with a diversity of new situations of risk”. We live, after all, in a global “risk society” (Beck 1999).

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 of a medium-sized, vocationally-oriented private institution (WSHIG – Academy of Hotel Management in Poznań) 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 studies: WSHIG, Poland, 15-16).

At Buckingham, another private institution from the twenty seven studied, 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 studies: University of Buckingham, the UK, 10).

Competition leads to financial uncertainties experienced not only by private institutions, as in the above cases. The volatility of research and student markets influences other institutions as well (public and semi-public). As an academic from LSHTM put it,

The School is very much influenced by external factors (e.g. more than half of our income comes from research grants and contracts which are short-term) and short-term fluctuations in policies. They transform your fortunes and suddenly make an area of research attractive. As the school is very research-active, it is also very dependent on research funding. The student has a fast student turnover ... If suddenly students don’t turn up, the School’s financial stability is threatened. We are very dependent on student fee income and on attracting overseas full-fee paying students, and sometimes a student influx from a certain corner of the world will dry up and you don’t know quite why (EUEREK case studies: LSHTM, the UK, 18).

There are also other forms of risks involved in the case of the EUEREK institutions: the competition in the areas of studies between public and private institutions (most often, public institutions suddenly opening the same study programs or modifying the existing ones – and running them

without charging student fees); changing state regulations, and academic prestige (or reputation).<sup>192</sup> 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 private 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 (EUEREK case studies: WSHIG, Poland, 15).

The role of risk management in entrepreneurial universities 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. Structured risk management, with respect to both finances and reputation is used (see EUEREK case studies: LSHTM, the UK, 23).

### *Risk, uncertainty, and the road from institutions to organizations*

The risk is closely linked to uncertainty, experienced by all European educational systems in the last decade (and often two decades): for example, the transition from a relatively secure public sector institution to an increasingly autonomous institution of a foundation type, with greater financial autonomy, also means new financial risks and financial responsibilities, and indicates the structural growth of uncertainty.

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192 As shown in detail in a typology used for an American context proposed in *In Pursuit of Prestige* (Brewer, Gates, and Goldman in their Rand study, 2002: 133-134), higher education institutions can be characterized as “prestigious”, “prestige-seeking”, and “reputation-based”. “Both reputation and prestige are positive assets for providers of higher education. Some institutions choose to invest in prestige, while others choose not to invest in prestige. Some institutions, especially those that are not pursuing prestige, invest resources in their reputations for customer service. ... Prestige seeking is a strategic choice. While many schools are pursuing prestige, other institutions have opted out of this game and achieved success by identifying and efficiently meeting the needs of students”. In a European context, except for some systems (e.g. French *grandes écoles*) and some study areas (e.g. management in business schools), institutional prestige derives from a national and/or international research status of an institution (repeatedly confirmed by the league tables). Consequently, almost all private institutions, especially in Central Europe, are either reputation-based or, rarely, prestige-seeking (or what Daniel C. Levy termed “semi-elite”, 2010) in this typology.

Transformations in viewing the university (from “institutions” to “organizations”) referred to in the organizational studies as “turning the university into an organizational actor” (Krücken and Meier 2006) or “turning public services into organizations” (Brunsson 2009, Brunsson and Sahlin-Andersson 2000, Brunsson 2009, Brunsson 2006a) also substantially increase the level of structural uncertainty among the academic profession. At the same time, as Williams and Kitaev argue (2005: 126), “uncertainty creates the climate that promotes entrepreneurship and uncertainty and the risk that accompanies it have increased nearly everywhere in the past decade”. The only real common denominator of higher education in Europe is perhaps its staying in limbo – there is no education system in Europe where in the last five or ten years a major change would not have taken place (in the governance, funding, quality assurance systems etc., see Mora *et al.* 2009: 76).<sup>193</sup>

#### **5.4. A clash of academic and managerial values?**

In the UK, changes in funding in several universities seem to point the direction of steps not only already taken by British institutions but also those (at least considered) to be taken in major Continental higher education systems. As Shattock noted, “the UK public universities were already operating in a marketised system and generating substantial non-core income in 1994, while they have mostly grown their non-core income considerably, the growth has done no more to keep pace with the growth of core income. All the other countries, starting later, have begun to move rapidly in the direction the UK followed before 1994” (Shattock 2009b: 5-6). The changes in funding, governance and management go often hand in hand, and the UK is a good example. Nottingham’s management structure is similar to that of Warwick: a strong management board is accompanied by strategic committees. Committees deal with specific issues, day to day

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193 Or, as Williams (2004: 81-82) described a few years ago this transition in relation to the UK but what can be successfully applied to most European educational systems, “as with many other public services the state switched its support away from the suppliers of higher education and towards the consumers. ... Henceforward the universities were seen not as trusted institutions to be subsidized, but as providers of academic services, which the government bought off them according to its specifications, on behalf of students”.

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. ... 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 (EUEREK case studies: University of Nottingham, the UK, 3).

Management structures at Manchester University (outside of the EUEREK case study family) 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 s/he 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, (Clark's) "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, lower-level academic units – form often 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 proselytizing within the institution (EUEREK case studies: The University of Nottingham, the UK, 8-9).

## **5.5. Academic entrepreneurialism and collegiality**

### *Tensions: the center and the base academic units*

The available 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 one as well). The first method is pursuing a flat management structure, eliminating intermediate units (faculties), to minimize barriers between the center and the base units (departments) – the examples are the University of Warwick, the University of Joensuu (Finland) or the vast majority of Polish private institutions (the case study of WSHIG in Poznań provides a good example: there is the rector and his small team of collaborators, strategic management team – and departments, without the intermediary level of faculties). There are no deans there; 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 – a perfect example of a successful flat management structure in Europe is Warwick. The second method to minimize tensions is keeping three-level



arrangements, increasing authority and responsibility of existing multiple levels (the center – faculties – departments) – the examples are Twente University in Enschede (the Netherlands) and the Chalmers University of Technology (Sweden). There is a traditional basic structure there – 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 levels of professionalization of the university 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 entrepreneurial individual academics, as Frans van Vught, a former Twente University rector, stresses).<sup>194</sup> And the third method to minimize tensions is the increasing professionalization of administration all along the line, and particularly at the center, as shown in entrepreneurial universities in Europe which have flat structures as well as those which keep the traditional three-level arrangements.

The professionalization of administration is crucial especially for the financial aspects of functioning of the university. Multiple non-academic tasks are increasingly being performed by well-paid experts and specialists, rather than amateurs recruited from former or current academics (which leads to the development of the “diversifying workforce” and “changing academic and professional identities” (Gordon and Whitchurch 2010, Whitchurch 2010, as well as Henkel 2000, Amaral, Bleiklie and Musselin 2008, and Barnett 2008) in higher education: the units include especially

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194 The institutional cases of budgetary decentralization are extremely interesting in this context. A good example among European entrepreneurial universities is Universiteit Twente (UT) in the Netherlands – each of its units is fully responsible for its own funding and covers the costs of all services provided by the university as a whole, from its own budget. In addition, UT has the highest proportion of researchers funded by external research grants in the Netherlands – two-thirds in 2007. UT appears as a case study institution in many authors, starting from Burton Clark in *Creating Entrepreneurial Universities* (Clark 1998a).

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, and university foundations to promote the university brand etc., are being increased in size or newly created (as the EUEEK Poznań University case study shows).

### *Academic autonomy and academic collegiality*

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 (Clark 1998a, Clark 2004a). 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 in Australia and New Zealand (for instance, the Monash panoramic case study by Simon Marginson Marginson 2000; *The Enterprise University* case studies reported by Marginson and Considine 2000; case studies reported by Janice Newson and Jan Currie in *Globalization and the University*, Newson and Currie 1998; Currie 2003, and Currie, DeAngelis, de Boer, Huisman and Lacotte 2003). 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 several Western Balkan countries should be mentioned: Bosnia and Herzegovina, Macedonia, and Kosovo – the single most visible exception in this region being Slovenia), there is a substantial – and paralyzing, dangerous to the healthy existence of academic institutions – devolution of authority down to faculties; the university in this model spread across the region is a loose federation of (almost fully) autonomous faculties. Consequently, comprehensive reforms are not possible in these countries as long as new university structures are not introduced in new laws on higher education. The idea of the “integrated university” – a strong center and weaker faculties and departments – has been promoted by international organizations in the Western Balkans for several years now, with very limited success, as new laws either have not been adopted or have not been successfully implemented.

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 [university management team] sets out the strategic direction of the university. The result of all the changes is a ‘flat’ organization, 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).

In small private institutions, both governance and management structures and procedures may be simplified to the extreme. These simplified structures are often reported in new private institutions in European transition countries which have sometimes appeared out of nowhere (Levy 2002a, Fried, Glass and Baumgartl 2007, Dobbins 2011, Kwiek 2011b, Kwiek 2010a, and Kwiek 2011b, Slantcheva and Levy 2007), with no international investments or public subsidies involved, and which in their first years of operation had been constantly in danger of a financial collapse (WSHIG in Poznań being a perfect example). The culture of financial survival, as reported in Spain, Russia, Moldova, and Poland, has been very strong in these institutions. The consequences for management styles and managerial practices are significant: decisions are taken by between one and five people, there is almost no spirit of collegiality and all major (and sometimes even most minor) decisions are actually taken by rectors/owners/founders of these institutions (often the same persons). 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 to these institutions (either 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 very 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. ... The management team is small and very effective; it comprises rector and the three vice-rectors. All senior administrative staff, including vice-rectors, have 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. ... 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 as well (EUEREK case studies: WSHIG, Poland, 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.<sup>195</sup>, see Breneman, Pusser and Turner 2006, Breneman 2006, Bleak 2005, and Kinser and Levy 2006); 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” led by Daniel C. Levy at State University of New York, 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 also expected to be so in the future.

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195 A comparative study between the evolution of Polish private higher education (formally *non-profit*) institutions and the global evolution of *for-profit* institutions, including such well-known ones as the University of Phoenix, deVry Inc. or Strayer Education Inc. in the USA, would be enlightening. The first one is a global leader in this area, an icon of the *for-profit* university, and it has about 300,000 students, recruited mostly from working thirty-year-olds with incomes above average. It seems that the majority of medium-sized private universities in Poland, especially private universities with no academic and research ambitions, adopt the attitudes represented in the Anglo-Saxon world by for-profit organizations. Let us compare the summary of the text by David W. Breneman (2006: 83-84) on the University of Phoenix (UOP) and our knowledge on the private sector in Poland (Kwiek 2010a, Kwiek 2011b, Kwiek 2012a): “UOP has been financially successful because it focuses on a narrow range of career-oriented programs that can be provided at low cost through the use of part-time practitioner faculty following a standardized curriculum that yields substantial economies of scale. UOP avoids many of the costs that traditional colleges and universities incur for residential programs and research activities, and they concentrate on a relatively high-income population that does not require substantial student aid. Students are treated as customers, and all UOP programs are focused on maximum student convenience and rapid degree completion”. The description fits the Polish private sector surprisingly well which indicates a growing difficulty with current legal (as opposed to practical) institutional typologies.

### *Successful agents of change*

What do the agents of change/agents of transformation do – those leaders located in the strengthened managerial core of entrepreneurial universities?<sup>196</sup> They (Clark 1998a: 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, and reach the outside world of firms and companies. They are necessary for the task of cross-subsidizing various fields and different 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 management 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 processed. 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).

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196 “Change agents” appear in a classic formulation in Lippitt, Watson, and Westley’s study on *The Dynamics of Planned Change. A Comparative Study of Principles and Techniques*, along with such useful concepts as “client system”, “change forces”, “resistance forces”, “phases of change” and “methods of change” (1958: 275-298).

## 5.6. Academic entrepreneurialism, centralization, and decentralization

### *Top-slicing procedures: revenues and prestige*

It is important to highlight the role of non-monetary dimensions of entrepreneurialism, such as the prestige (or reputation) of an institution (see Williams, Blackstone and Metcalf 1974: 235-242 on reward structures in the “academic labor market” and Lewis and Becker 1974 for early formulations in higher education research).<sup>197</sup> An entrepreneurial university will, as Williams (2004: 86-87) 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”. Again in general terms, as the case studies of entrepreneurial universities show (also the Russian cases discussed in Shattock’s volume on entrepreneurialism of Russian universities, Shattock 2004a), 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 (Maassen and Olsen 2007 and Paradeise, Reale, Bleiklie, and Ferle 2009, and for the European special cases of Oxford and Cambridge, see Tapper and Palfreyman 2000: 171-206, Tapper and Salter 1992: 225-246, and Halsey 1992). 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 allocate the income of the university

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197 Institutions are able to attract and keep people for a variety of reasons, not only mercantile ones (the same arguments hold for technology transfer activities in universities, see a study by Lam (2011) on three types of motivations of academic scientists to engage in research commercialization, which she terms “gold”, “ribbon”, and “puzzle”; see also the original formulation in Stephan and Levin 1992). As Florida and Cohen (1999: 606) noted along similar lines, “smart people do not necessarily respond to monetary incentives alone; they want to be around other smart people. In this regards, talent tends to attract talent... A key role of the university in the knowledge economy then is as a collector of talent – a growth pole which attracts eminent scientist and engineers who attract graduate students, who in turn create spin-off companies, and eventually encourage other companies to locate nearby”.

among the university units and determine 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 inter-faculty discussion).

Financial formulas based on top-slicing revenues from the richest university units always raise institutional controversies – and these units almost always feel mistreated in some way. However, the problem of the level of institutional overheads is a key problem for the integration of an institution as a whole: the lowest overheads are reported in most disintegrated institutions (for example in Europe, it is the case in most post-Yugoslav systems in which the major thrust of internationally-supported reform programs is to achieve a higher degree of institutional integration). In disintegrated institutions, the authority of rectors, that is, of the central management level, is minimal because, among other things, departments are almost completely financially independent from the university as a whole, and the financial means that the rector has at his disposal, if he wanted to merge basic functions of the university at a level higher than the level of individual independent faculties – are minimal. (One could say, simplifying to the extreme, that just as the real scope of the state power is based on tax revenues to the budget, so the scope of the real power of a rector and his management team is based on the overhead-based revenues and broadly: on all financial resources at his or her disposal. A rector is deprived of means to integrate an institution as a whole in those systems which allow faculties to be separate legal entities).<sup>198</sup>

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

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198 To compare taxes and institutional overheads: the citizen has no right to expect special treatment in exchange for paying taxes. Taxes differ from fees, reminds Philipp Genschel (2005: 53): taxes are “compulsory and unrequited: taxpayers are legally obliged to pay taxes and cannot expect to receive any specific benefits in return, such as, for example, a piece of public property or a particular health care treatment in a public hospital. Taxes are not fees. While taxes are presumably collected for the sake of the public good, the liability of the individual taxpayer is independent of the personal utility she derives from that good”. The state is sovereign because it has tax revenues, and the level of revenues determines what the state can do and what it cannot do, what services it is able to provide to citizens and what services it is not able to provide, etc. In this sense, “the revenue of the state is the state”. A strong university rector or president – and his or her team – need financial resources at their disposal (“taxes”) to be able to cross-subsidize less financially successful (but still useful to the institution as a whole) academic units and their programs.

resources, some strategic decisions are followed to the detriment of others (and some priorities in the selection of study and research areas are followed rather than others), as Jarzabkowski (2002: 5) stresses. Hard choices between faculties, departments, centers and programs 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 and 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). Of course, it was a strategic decision to develop science at the cost of other departments and academic disciplines (strategically selected).

### *Centralized, decentralized, overpersonalized*

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 (both analyzed in Clark’s and others’ case studies in the last decade and a half). 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 of change” as a key component of their (entrepreneurial) character, far different from old bureaucracies. As Clark explains (2003: 108):

Diversifying sources of income requires new tools of implementation in the form of new administrative offices staffed by specialised experts. Every new connection to an income source requires an office, or new part of one, to tend to the focused flow of business. Thus, they multiply: the ever busy grants and contracts office; the office of industrial relations; the alumni segment of the multi-sided development office; the technology transfer office; the continuing education office; the capital projects office – and more, all make sense, all are needed. In transforming universities, the bureaucracy grows. But it is based on a change orientation very different from the old rule-enforcing, state-mandated bureaucracy that gets left behind. The old bureaucracy looked to the prevention of error; the new bureaucracy looks for the stimulation of imitative.

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 type of managers, authoritarian personalities at the top, in most cases do not endure. As Clark (2004a: 85) phrased it, based on his 14 global case studies, “enterprising universities ... are characterized by collegial entrepreneurialism”. 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 towards entrepreneurialism. Consequently, the case studies available tend to indicate the crucial role of strong “university management teams” (or bodies with similar names and functions) in Europe – which interact with both governing bodies above and academic bodies (departments, schools etc.) below where the daily routine academic work, and daily transformations, occur. 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. the London School of Hygiene and Tropical Medicine (LSHTM) in the UK, Twente University in the Netherlands, and WSHIG in Poland. As new governance structures are described at the 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 there 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 the HEFCE as the governing body of the institution. Below, there is a School Senate, a reformed body from a previous Academic Board of 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 studies: LSHTM, the UK, 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 1998a); 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 studies: LSHTM, the UK, 20).

As reported at Twente University, the decentralization of the university and its entrepreneurialization may be reaching its limits, though. As its former rector highlights, an 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).<sup>199</sup>

### *Warwick and the "earned income" policy*

The opposite direction – centralization – was taken in making the University of Warwick a major model of European academic entrepreneurialism: the

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199 As Clark (2004a: 40) formulated his hesitations, "in the extreme, then, an entrepreneurial university may become simply a university of entrepreneurs. Saturated with go-it-alone activity – even undergraduate students were setting up their own firms and consulting services – a rugged individualism might dominate. What then of the university as a collective body, a place of unifying values? What then of more general programs for students and a culture of service for the public good? What then of the whole university as an encompassing enterprise that could muster initiatives of its own?"

core is strong and centralized, and departments are basic units, there are no deans or faculties. It was at Warwick that Michael Shattock formulated an idea of the “earned income” and then the long-term university policy was based on it as a response to hard times of budget cuts at the British universities in the Margaret Thatcher era.<sup>200</sup> As Williams (1992: 38) noted while discussing “external income generation”, “earned income can be a source of both profit and problem. Successful management of soft money means encouraging the establishment of systems and procedures that help to realize the profit and avoid the problems”. 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; or as 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”).<sup>201</sup> The

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200 The role of what Clark termed “the entrepreneurial belief” is crucial in university transformation. The sequence in time leads from an idea to beliefs to a culture to an identity (and sometimes to a saga). Clark (1998a: 143) argues that “an institutional *idea* that makes headway in a university has to spread among many participants and link up with other ideas. As the related ideas become expressed in numerous structures and processes, and thereby endure, we may see them as institutional *beliefs* that stress distinctive ways. Successful entrepreneurial beliefs, stressing a will to change, can in time spread to embrace much and even all of an institution, becoming a new *culture*. What may have started out as a simple or naïve idea becomes a self-asserting shared view of the world offering a unifying *identity*. A transformed culture that contains a sense of historical struggle can in time even become a *saga*, an embellished story of successful accomplishment” (see also Clark 1970: 233-262 on “the making of an organizational saga”: strong organizational sagas, or legends, are the central ingredients of “distinctive” colleges; “a saga is ... a mission made total across a system in space and time . . . deep emotional investment binds participants as comrades in a cause ... An organizational saga turns an organization into a community, even a cult”, 1970: 235).

201 Earning via technology transfer is not easy, though, as a number of recent studies show (Mowery 2001, Mowery, Nelson, Sampat and Ziedonis 2004, David and Metcalfe 2010). The belief in the power of these university revenues does not seem to be rooted in empirical research. The EU-funded GOODUEP research in Europe (referred to in more detail in Chapter 7) indicates that technology transfer offices and centers very often find it difficult to make their ends meet and, if it were not for grants and national and international subsidies, it would be very difficult for them to continue their day-to-day activities. The experience of the U.S. (except a small number of top research universities) is similar: the use of patents and licenses by universities is able to bring significant financial resources, at best, to a few top research institutions only. The financial dimension of the operation of science and technology parks turns out to be much less important than, for example, their

“earned income policy” worked in the following way: the group was “top-slicing” various incomes generated by various units, and it expected a “profit” from other units; professional managers were hired to run various academic 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. Clark describes the committee system in operation at Warwick 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 [vice-chancellor], 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 1998a: 23).

The innovative “flat management structure” introduced at Warwick has been very successful but it would not be possible to go forward towards more entrepreneurialism without a (somehow complementary) system of powerful centralized committees. Here 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. ... 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

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regional dimension: the involvement in the promotion of innovation of the economy in the region (see Arbo and Benneworth 2006).

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 1998a: 21).

How to achieve successful management? There are several ways described on the basis of case studies of entrepreneurial institutions. One method is to strengthen the role of vice-chancellors or principals; 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).

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”. The procedures related to the management of extra university income requires clarity, transparency and rationality – and they must be (re)negotiable. Otherwise it is difficult to keep the tendency of the most enterprising institutions to make full use of their abilities, which would not only be detrimental for them, but also, indirectly, for the whole university.<sup>202</sup>

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202 Another, more fundamental, issue related to income generation was raised two decades ago (Williams 1992: 46-47): “the rationale for income generating activities at all. ... If core public funding of teaching and research is insufficient to maintain its existing size

As Shattock, the registrar at Warwick at the time, explained to European rectors in a 1994 conference, “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” (cited in Clark 1998a: 24; see also Shattock on the “earned income” policy in 2004b: 225-235).

## **5.7. Academic entrepreneurialism spread across institutions**

A frequent mistake made in attempts to transform universities to become more entrepreneurial 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 administrating costly projects, labs, and

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and organizational structure and institution has the choice of contracting until it is viable within its core resources, or of expanding its income from other sources. This is obvious enough. However, dilemmas occur when staff are employed specifically for income generation as, for example, as employees of academic companies. ... If contract work is treated as being equivalent to the more traditional academic work this implies a recognition that the university as it has developed over the past century at least has irrevocably changed”. And this is the point made by such different authors as Slaughter and Leslie 1997, Slaughter and Rhoades 2004, Marginson and Considine 2000, Marginson 2000, or, today almost historically, Newson and Buchbinder 1988.

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 (Williams 1992). Both Clark’s case studies and the EUERЕК European case studies of entrepreneurial universities show that there is uneven spread of entrepreneurialism within institutions, with various speed of change, most often depending on external opportunities.<sup>203</sup>

### *Teaching-focus and research-focus in entrepreneurialism*

While in Western Europe and in the USA, 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 in “soft” areas: economics, law and business, management, marketing, sociology, political sciences, and psychology. It is, however, academic entrepreneurialism which is specifically understood: it is related to (additional and separately paid) teaching rather than, as in the classic studies of academic entrepreneurialism, to research and so-called third mission university activities (or, as in the U.S., to the “service to the society” mission, in the form of local and state expertise and contracts with the local business sector). These are the areas in which the largest part of private sector operates, and in which public sector runs its most enterprising study programs for fee-paying students (all Polish, Russian, and Moldavian EUERЕК case studies confirm this tendency). In transition economies, “soft” disciplines, including especially economics and business and social sciences, are much more easily fundable through tuition fees in the nominally free public sector, and consequently are stronger agents of (teaching-related) entrepreneurial changes in academic institutions than “hard” disciplines. (The picture has been

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203 There is a combination of internal and external factors at work. As Williams and Kitaev (2005: 139) stress, “if individual members of staff working in universities receive little in the way of rewards for effective innovation there is no good reason for them to make any special effort in areas of activity that do not advance their own careers, and if the university receives no additional resources there is little incentive for it to set up organizational structures that promote entrepreneurial activity”.

gradually changing with the increase in competitive research funding: the bulk of “new” funding, often disbursed through newly created national research councils, leads to research-based academic entrepreneurialism in “hard” sciences; Poland with two new national grant-making councils is a good example in the region).

At the same time, this model of entrepreneurialism, paradoxically born from the symbiosis of the private and the public sector in teaching (usually in the well-known form of multiple-employment of academic staff throughout Central and Eastern Europe), in the long run leads to the paralysis of research in these areas. It is not by a coincidence that a substantial weakening (if not a collapse) of Polish international research visibility in 1995-2010 (as shown by through empirical research combined with normative institutionalist analytical framework, Kwiek 2012a) concerns not so much most expensive and potentially under-funded disciplines such as chemistry or physics, but rather those disciplines in which the possibility of multiple-employment and additional (paid) teaching in the private sector has been the biggest: arts and humanities, social sciences, and economics. Polish measurable research output is internationally visible – on a global level – in the four areas: chemistry, physics, astronomy, and mathematics (all ranked in the first twenty positions as measured by the number of scientific publications), and in none of them extensive paid part-time studies, and accompanied academic moonlighting, ever worked.

While the most important dimension of academic entrepreneurialism in Western European universities is innovative research (e.g. leading to the creation of new technologies, patents, spin-offs and spin-outs – most often through an additional, external funding), in Central Europe the public sector entrepreneurialism reminds the private sector entrepreneurialism: it is (usually quite innovative) training programs. The research dimension of academic entrepreneurialism in the region is marginal (and therefore marginal is its financial dimension, traditionally studied in academic entrepreneurialism analyses).<sup>204</sup> The division between research-oriented

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204 In the context of the existence of the private sector alongside the public sector in Poland, what matters for their dynamics is the “parasitic” relationship between them. Let us refer here to a critique by David E. Breneman of the largest *for-profit* university in the world, University of Phoenix (UOP), which can be extended to a huge part of the Polish private sector (which nominally is not a *for-profit*, Breneman 2006: 87: “UOP could not exist were it not for the scholarly and publishing works of faculty in traditional institutions. Essentially, UOP rides on the availability of scholarly knowledge generated elsewhere, and packages that knowledge effectively for adults students. One might argue that a global



academic entrepreneurialism (Western Europe) and teaching-oriented academic entrepreneurialism (new EU member countries) in the private and the public sector is crucial for understanding the specificity of these two types of education systems. Simplifying, from the perspective of research-intensive universities in the West, Central European research- and innovation-oriented academic entrepreneurialism almost does not exist, while academic entrepreneurialism focused on (paid) teaching has no counterpart there. Western universities, along with the growing needs to seek additional revenues and along with the potential introduction of tuition fees (or the increase in their levels), may also increasingly turn in the direction of additional revenues from teaching (as in English universities, for both nationals and foreigners, with high fees especially for non-EU students, and globally as in the USA, Australia and New Zealand, see Marginson 1997b, Marginson 2000, and Marginson 2010). Shattock (2009b) does not limit academic entrepreneurialism to research activities, although links it to innovation, as well as financial and reputational academic risks (our view is more restrictive here, which allows us to show the difference between Western European and Central European higher education systems more clearly). He presents a long catalogue of entrepreneurial activities:

We should not see entrepreneurialism simply or even necessarily in relation to research, or in the exploitation of research findings. ... [E]ntrepreneurialism involving innovation and academic and financial risk can be found in regional outreach programmes, in economic regeneration activities, and in distance learning ventures, as well as in investment in spin out companies, the investment of overseas campuses and the creation of holding companies to house different sets of

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economic analysis of UOP would have to credit traditional academia with generating an enormous externality for the benefit of UOP and its students, in that the educational materials used are derived from the scholarly works of faculty in nonprofit institutions. What this means is that an entire educational system populated only with UOP-type institutions would be intellectually barren and would not produce new knowledge. UOP thus depends critically upon the existence of the traditional sector for most of its intellectual input and for its ultimate success". Strong, passionate words. And almost every sentence above can be successfully referred to the Polish private sector. In a similar spirit, a quarter of a century ago, Daniel. C. Levy pointed out that "the public sector must respond to a broader constituency and *raison d'être*. The private sector has the luxury of relying parasitically on the public sector to do the dirty work. Private sector success depends on public sector maintenance" (Levy 1986a: 312). Personally, we have repeatedly stressed the parasitic nature of the relationships between the public sector and private sector in Poland (most recently in Kwiek 2012a and Kwiek and Maassen 2012a).

income-generating activities. For many universities, entrepreneurialism can be found in various innovative forms of teaching either to new clientele at home or embodied in programmes for internationalization (themselves often involving both financial and reputational academic risks) (Shattock 2009b: 4-5).<sup>205</sup>

## 5.8. Conclusions

The EUEREK (and other) case studies of academic entrepreneurialism in European universities confirm the pivotal role of changing governance at most entrepreneurially-oriented universities. They confirm what the European Commission highlighted in its communications about the role of transformations of management and governance structures in universities, although they do not confirm the need for immediate, profound and radical changes in their functioning (Shattock 2009a, Shattock 2010: 269): “European universities have enormous potential, much of which unfortunately goes untapped because of various rigidities and hindrances. Freeing up the substantial reservoir of knowledge, talent, and energy requires *immediate, in-depth and coordinated change*: from the way in which systems are regulated and managed, to the ways in which universities are governed” (EC 2006b: 1, emphasis in original). It seems clear from the EC communications from the 2006-2011 period that the general line of the EC thinking is that current governance and management structures in most European universities are obsolete and do not provide an adequate basis to reach the goals envisaged by the European Commission in the Lisbon Strategy (and in a new strategy, *Europe 2020*). The issue of university funding is closely linked to that of governance: as the EC communication on “Mobilising the Brainpower of Europe” notes, “investing more in the

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205 Paul Temple (2009: 49), focusing on entrepreneurialism in teaching in the EUEREK institutions, suggests that teaching and learning often seem overlooked in considering entrepreneurial activities: “surely this is paradoxical: can a university be considered entrepreneurial if this entrepreneurialism does not extend to its dominant activity?”. Temple suggests four main external drivers (region, widening participation, professional focus, and the research-teaching nexus) which may “affect the way in which the curriculum is conceived and delivered” and proposes a theoretical framework along the quadrants created by the “teaching-led” to “research-led” axis and the “state-direction” to “market” axis. There are four options for teaching in this typology: teaching as state-mandated mission, teaching as financial necessity, teaching as meeting public needs, and teaching follows research (Temple 2009: 61-62).

current system could be perceived as unproductive, or even counter-productive” (EC 2005b: 8; on how to close the funding gap in European higher education, see policy proposals by Aghion *et al.* 2008).

The European systems are believed to need profound changes which have already been spotted in the most entrepreneurial (mostly UK) universities: more institutional accountability, funding more closely 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 teaching) and a wider use of market (or quasi-market) mechanisms in both teaching and research missions (see Temple 2006, Temple 2008). 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” of European universities (Kwiek and Maassen 2012a, Kwiek and Kurkiewicz 2012, Maassen and Olsen 2007, Maassen 2012) 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 European Union is now believed to face “the imperative to modernize its ‘knowledge industry’ and in particular its universities” (EC 2005b: 10).

Case studies of selected European institutions show that the modernization processes in question (in its emphasis on academic entrepreneurialism widely understood) have already been in progress in numerous institutions in different systems across Europe. Academic entrepreneurialism in Europe turns out to be not only a theoretical slogan, to be discussed in a similar theoretical manner, but the actual academic reality in many countries and in numerous universities. The theoretical (or rather ideological)<sup>206</sup> “modernization agenda” of European universities

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206 Ideological in a sense in which often “globalization” was an ideological term. As Marsh, Smith, and Hothi (2006: 177) noted penetratingly with reference to the latter, “globalization may play a powerful role in ideational terms. If policy-makers believe in globalization, this is likely to shape their approach whether or not globalization actually exists. In other words, neo-liberal ideas might be creating neo-liberal policies. ... In this sense, globalization may be something of a self-fulfilling prophecy. By behaving as if it were a reality, policy-makers may actually be making it a reality”. In a similar manner, at both the EU and national levels, policymakers believing in the “modernization agenda” of European universities may make it a self-fulfilling prophecy (despite its poor empirical evidence, Maassen and Olsen 2007).

consistently promoted by the Commission can be already combined with selected institutional transformations in selected European institutions currently taking place. The Commission' somewhat intuitive, and commonsense-based rather than research-based understanding of the changes taking place in European universities may be quite right about the future changes in the university sector. But its most important insights as to the future changes come from broader and more economic intuitions about future environment of universities rather than from intuitions referring to the university sector itself. The convergence of intuitions about the possible evolution of universities in the future and about the possible evolution of their environments merely indicates, on a different plane, a progressive loss of exceptionality of the university as one of the most important institutions of the modern world. The university, increasingly, and globally, is under powerful pressures to turn from being an "institution" to being an "organization" (Maassen and Olsen 2007, Olsen and Maassen 2007, Krücken and Meier 2006, Brunsson 2009, Brunsson and Sahlin-Andersson 2000, and Musselin 2007a). This is a fundamental, qualitative change which may require higher education research to search its analytical tools in organizational studies. The combination of the two traditions can be highly fruitful for both areas of social inquiry.<sup>207</sup>

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207 As Michael N. Bastedo put in the opening sentences of his "Organizing Higher Education: A Manifesto" (2012b: 3; all 15 citations removed), there is a strong historical link between the two: "Modern organization theory is built upon the study of colleges and universities. Resource dependence theory resulted from studies of power and the budgetary process at the University of Illinois. 'Old' institutional theory was built upon studies of adult education and community colleges and 'new' institutional theory on studies of college 'chartering' effects prior to extensive work in K-12 schools. Organizational culture was built in the 1980s upon studies of distinctive liberal arts colleges conducted over a decade earlier. 'Garbage can' theory was constructed entirely from a study of college presidential leadership, and 'loose coupling' was based on observations of schools and universities. The major frameworks not founded on studies of colleges—primarily organizational ecology and transaction-cost economics – are few and far between" (see especially March 2008, March and Olsen 1976, Brunsson 2009, and Brunsson and Olsen 1998a).

**Marek Kwiek**

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