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STRATEGIC MANAGEMENT IN EUROPEAN UNIVERSITIES IN
AN AGE OF INCREASING INSTITUTIONAL SELF RELIANCE

ABSTRACT. This paper contrasts the emphasis on planning in universities when funding from the state was stable and resources followed student numbers, with the emphasis on strategic management when state funding is declining and universities are of necessity much more market orientated. Planning processes could work well when universities had a predictable future, but are less appropriate when the climate is turbulent. The paper suggests that the following are the key words for successful universities in the new environment, competitiveness, opportunism, income generation and cost reduction, relevance, excellence and reputation. It goes on to argue that this framework of key characteristics demands a new approach to strategic management in universities requiring universities to take a holistic view of their activities, to coordinate institutional strengths so that they reinforce one another and to create machinery whereby academic, financial and physical planning strategy is decided on an integrated basis.

There are no two words more over-used in the current lexicon of management-speak, at least in the public sector of the economy in the UK, than 'strategic management'. They are beloved by higher education funding councils, the National Health Service, and even bodies like the Prisons Service or the Fire Service. They are even more over-worked in business schools; in fact they are in danger of losing all meaning. To the practitioner it is difficult to envisage 'management' without linking it with strategy, because management that does not take into account an assessment of future priorities would be short sighted and ineffective, while a strategist who ignored questions of management and the implementation of strategy would be no more than an academic theorist, and of little practical value to the organisation he or she served.

But the words also feature widely in the literature about universities and, in mood at least, they seem to represent a stage of progression which historically has moved from 'university administration', through 'university management', to the more proactive 'strategic management'. Such a progression reflects a recognition of a significant change in the conditions in which universities in Europe must now conduct their affairs. Much of the academic literature about planning, management and stra-



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tegic planning or strategic management in higher education was written in a period when university finance was relatively stable and was based on the assumption that responsibility for funding higher education, as for compulsory education up to age 16, belonged to the state. This concept of planning in universities presupposed that as student numbers grew, resources were provided by the state to support the expansion. The title university planning officer in the UK tended to denote a number cruncher who calculated the requirement for additional teachers and facilities that were needed to match additional student numbers, but did not plan in any real sense. If state funding at the level required was not fully available the Planning Officer produced resource models which distributed the funding equitably between the different units, faculties or departments. Of course, in many European countries these planners worked from government offices rather than from the universities themselves, since in many European systems financial management was not, as it is increasingly now, devolved to institutions but retained in the hands of the state itself.

All this is now changing: no European country has been able to maintain the student unit of resource current in the 1970s and in nearly all countries widespread financial devolution to institutions has passed decision-making on how to manage on much reduced resources to the institutions themselves, with sharp consequences for internal governance and management structures. The concept of a market and the recognition that higher education can be subject to market forces, however moderated by the state, has penetrated the vocabulary of university managers at all levels and the question of students having to take on a higher proportion of the costs of their education has reinforced the need to look for alternative sources of university funding; universities find themselves competing for research funding, both from the state and from industry, for student fee income, and for recurrent state funding. League tables, bench marking and reputation have become key factors in institutional success. Universities can no longer simply be administered: they have to be managed even strategically managed (though by whom remains a very large question in some universities). Although there are variations in the speed of change in higher education systems across Europe there is no doubt that change is occurring and that it demands a new range of skills and decision-making structures, and a much greater need for institutions to be responsive to market conditions.

In the 1960s and 70s, the planning regimes that then operated in university systems assumed a predictable future. The Robbins Report in the UK, published in 1963, offered forecasts of student numbers, with appropriate

caution (it is true) for the next 20 years (Robbins 1963). It did not, however, predict the oil crisis of the mid-70s, the economic recession that followed it, or the rising inflation levels which brought Mrs Thatcher to power at the end of the 1970s. In 1999, 20 years later, the future is infinitely less predictable: demographic changes in Europe may reduce student demand in the next decade, and will certainly produce an ageing population which will be a huge competitor for state funding; changes in political structures and in the economy, the IT revolution and even the impact of climate change, all introduce levels of unprecedented uncertainty. Taken with the impact of governments' intention to encourage the substitution of private for public expenditure, these factors create a potential turbulence for higher education which completely alters the strategic landscape.

Two recent books, Burton Clark's *Creating the Entrepreneurial University* (Clark 1998) and Barbara Sporn's *Adaptive University Structures* (Sporn 1999) are harbingers of a recognition of the changed environment. Burton Clark's 'pathways of transformation', the strengthened steering core, the expanded developmental periphery, the diversified funding base, the stimulated academic heartland and the integrated entrepreneurial culture are sufficiently familiar not to require elaboration. Barbara Sporn's more recent book argues the importance of university adaptability to its environment as a key to university survival and puts forward the following propositions:

1. Adaptation at universities is triggered by environmental demands which can be defined either as a crisis or as an opportunity by the institution;
2. In order to adapt, universities need to develop clear mission statements or goals;
3. Adaptability is enhanced by:
 - an entrepreneurial culture;
 - an internal university structure which is differentiated into sub-units, rather than being monolithic; and
 - a professional university management;
4. Shared governance is necessary to implement strategies of adaptation; and
5. Committed leadership represents an essential element for successful adaptation.

The list was compiled on the basis of research at three major US and three European universities and, while I might myself wish to qualify number 2 somewhat, the list as a whole reflects very clearly the more uncertain

climate of the present period rather than the planned environment of the past.

As it happens this kind of thinking though certainly not Sporn's actual research findings was foreshadowed in the US just over a decade earlier by George Keller in an influential and highly accessible book *Academic Strategy: the Managerial Revolution in American Higher Education* (Keller 1983). Keller's essential theme was that the days of incremental planning were over and that universities must take a more strategic approach. Such an approach should not, however:

- be a production of a detailed blueprint;
- be simply a set of platitudes;
- be the personal vision of the university's President;
- be simply a collection of departmental plans;
- be prepared by university planners;
- be a substitution of numbers for important intangibles;
- be a form of surrender to market conditions and trends;
- be something prepared on an annual management retreat;
- be a way of eliminating risks; and
- be an attempt to read the tea leaves and outwit the future.

This robust series of negatives, in spite of the American ring to them, are centrally relevant to the conditions we face in Europe today where too often, even in the more turbulent and competitive climate of the 1990s, state bodies and funding councils are looking for detailed and highly technical planning documents rather than encouraging a more flexible and strategic approach to facing the future. Again, Keller identifies a point of central concern for European universities when he says that three quarters of all change in American universities is, or was in the early 1980s, triggered by external factors such as economic recession, demographic change and so forth – he was writing before the IT revolution washed into US higher education – rather than by internal pressures. In doing so he emphasises what to me is one of the most important principles of strategic management in universities that is the need to look outwards, to assess the environmental context, rather than base a strategy too closely on apparent internal priorities.

If we are looking for key words with which to highlight the characteristics that successful universities will have to demonstrate in the next decade they would be:

- Competitiveness
- Opportunism
- Income generation and cost reduction

Relevance
 Excellence
 Reputation

Before considering how this framework of key characteristics determines the strategic management task let me say a little about what its implications are for institutional management:

Competition

In one sense universities have always been in competition but in modern conditions competition has a much sharper edge. With funding formulae based on student numbers, institutions compete for students, and in the global market they compete ferociously for overseas students paying full cost fees. As research monies are granted on increasingly selective criteria so competition for research active staff and competition for research funding, both public and private, becomes more intense. As league tables come increasingly to determine institutional reputation, competition mounts to do well in them. But if you are to sustain competitiveness you need a good infrastructure both of people and facilities. Any institution can throw all its resources into a single bid, but to win competitions regularly you need a good management team and a sound financial base, as well as a committed and highly regarded academic community which shares the management team's competitive streak.

Opportunism

Such an environment emphasises the ability to take opportunities when they arise. In an era of declining resources opportunism is doubly important because universities can usually only develop new activities if they can acquire them, together with the necessary resources, from outside. But opportunism can only be carried through effectively if a university has a decision-making structure which retains a strong element of collegial participation in its management, or decisions taken opportunistically will create over time so much negative feedback that each opportunity will be more difficult to grasp than the last. Universities can no longer afford the leisurely decision-making of the 1960s when Ashby could describe the stately process where ideas flowed up from the base of the committee hierarchy and decisions came down from the hierarchy's upper reaches some months later (Ashby 1963). In the world outside universities "time has become the competitive strategy of the firm" (Schoenberger 1997); the more 'agile' companies become the more they win a competitive edge. Universities if they wish to compete, whether for major grants or

for new developments generally, have likewise to reduce their decision-making turning circles. Burton Clark's description of the 'the strengthened steering core' is a critical concept here because it recognises the balance that must be retained between effective academic participation and the need for speed and decisiveness. Top down decision-making by university chief executives, however well intentioned, has a bad track record in good universities.

In the past it was argued that universities needed strategic plans which set out in some detail their future development over a fixed period of years. Many universities had attractive physical models mounted outside their vice-chancellors'/rectors' offices which identified sites, buildings and expected years of completion. Such pseudo-precision makes little sense in today's conditions (which is no doubt why so many models remain uncompleted, and an inaccurate representation of what has actually happened). It is not a contradiction to talk of opportunism and strategy in the same breath if it is recognised that strategy should now mean much more the identification of a few broad principles of development, with no attempt to put numbers, shapes or dates to them, but which can provide a framework within which opportunistic discussions can be taken. It is in this sense that I would not go quite so far as Barbara Sporn in wishing to tie myself to 'clear mission statements or goals' but would prefer a looser and more generalised set of principles or ideas which, because they lacked specificity, can be widely shared within the institution.

Income generation and cost reduction

It is hardly necessary in modern conditions to emphasise the need for the generation of external income. Embracing such a policy, however, has important implications not least because it offers seductive opportunities for would-be entrepreneurs to embark on schemes out of enthusiasm rather than common sense and sound staff work. Income itself is of no value without clear estimates both of the costs of realising it and of the real benefits to the institution of the activity involved. Will it, for example, generate a real surplus (or profit) which can be ploughed back into core activities? What this tells us is that financial skills need to be widely distributed in a way that would have been inconceivable in the 1960s and 70s and that formal machinery must be established to monitor such activities, to invest in them properly to improve them and to close them down when necessary. You do not generate real additional resources simply by encouragement or releasing self-identified academic entrepreneurs to indulge their wilder ambitions, but by incentivising departments and individuals, by profit sharing, by systematic pressure and by regular reviews of progress. Generating

real (that is, profitable) income is much more a matter of perspiration than of inspiration.

By the same token institutions must take much more cognisance of their costs, not only in income generating activities. Removing layers of decision-making reduces costs as well as speeding up the decision-making process. The concept of the lean organisation is not on the whole familiar to universities. In other organisations it emphasises improvements in team work, greater motivation, shorter decision-making chains, and 'right first time' decisions. Traditionally universities have been over-protective of support staffing and overhead costs, thus contributing to external perceptions that they are too expensive and, organisationally, too slow to change. Increasingly what they must do is to concentrate the costs where the real priorities lie, whether in teaching or research activities, and away from the more ceremonial, bureaucratic, and status-driven aspects of university life. Resources have to be allocated strategically and scarce resources used to best effect. Universities are expensive, and on the whole the best universities are the most expensive; in modern conditions they cannot afford to do everything so they must prioritise, cultivate niche markets, cut out weak departments and build up strong ones. Decision-making in such matters demands a strong strategic input.

Relevance

In some university systems even now, and certainly in many institutions, 'relevance' and 'excellence' are seen as contradictory concepts. However it is an essential part of my agreement with Sporn's description of 'the adaptive university' that universities need to demonstrate that they are useful as well as ornamental to society. Burton Clark's description of the 'expanded developmental periphery' of science parks, executive short courses and regional responsiveness represents an updating of the much older concepts of the land grant university in the US or the civic university in Britain. In the more immediate past, single comprehensive streams of state funding tended to deflect universities from the need to look outwards into their communities, and too often persuaded them to adopt internalised priorities which looked self-serving to external critics. If universities are to retain or regain public support they need to demonstrate both through the way they train students and in the way in which they address public issues whether of regional unemployment, of widening access or collaboration with industry that they have a commitment to the community and to something more than their own direct interests. If they do not, they risk losing out to institutions of lower academic standing which seem more attuned to society's needs.

Excellence

Universities traditionally claim excellence, whether or not they possess it. Sadly and bluntly many do not, yet achieving and maintaining excellence is the most effective way of safeguarding financial security, maintaining staff salaries at appropriate levels, providing opportunities for growth and development, achieving internal consensus on aims and mission and sustaining staff moral. No amount of financial expertise will generate a surplus as effectively as a reputation for excellence. Conversely nothing is more likely to damage the bottom line than evidence that a university is slipping down the quality tables. Traditionally again, excellence is often seen as academic excellence in a narrow sense, in terms of the quality of the student intake (rather than a high retention rate) or the quality of the research (irrespective of the extent to which the leading researchers are isolated from the rest of an institution's activities). It is not seen in relation to the maintenance of buildings, quality of landscaping, excellence of service provision, effectiveness in internal communication or the ability of the organisation to respond to pressure and to match up to expectations. Academically excellent universities, narrowly and traditionally defined, do not always serve their students well, and often treat their staff badly (so, of course, do many universities that are not academically excellent). But there is always the risk that such short-comings will find them out. The world of business has taught us only too often that reliance on narrow definitions of quality leaves organisations vulnerable. Universities must accept that they can no longer be excused, on the ground that they are excellent at some circumscribed academic functions, from being excellent in all facets of their performance. The public will come to expect no less.

Reputation

Excellence contributes to but is not the guarantee of reputation. Too often university staff underestimate the importance of a university's reputation, and the extent it may guarantee a sufficiency of student applications, or attract industrial research, or influence potential donors or simply open doors to new ventures. Reputation comes not just from league tables but from public image, from the perceptions of influential people and from the reactions of parents, students and employees. Above all it comes from the media, and no university which does not, in the 1990s and beyond, recognise the importance of the media in promoting a university's success and does not set up machinery to address the media in a media-friendly way is taking a short-sighted view. In our new globalised environment, where the market plays so much greater a role,

media support and name recognition are crucial components of university success.

This framework of key characteristics calls for different qualities of strategic management than we have traditionally associated with universities. Sporn rightly identifies integration as an important element in the adaptive university and argues that “missing integration mechanisms lead to uncoordinated activities and local responses”. I would put it in a different way, that the key to the successful strategic management of universities is to take a holistic view of the institution and its activities and to offer a framework of co-ordination which enables its various strengths to reinforce one another for the benefit of the institution as a whole. More than most organisations, universities comprise a myriad of interlocking parts each of which, and in concert, need to be managed for success. A university may declare a financial surplus each year but be an unsuccessful institution because financial success is achieved by economising on academic staffing to the extent that it damages quality. A high quality academic staff who attract well-qualified students may not realise their teaching potential because the physical conditions in which they teach are so inadequate. On the other hand, good facilities for research will attract outstanding academics who themselves may attract good students, whose presence in the university may attract greater resources, which can themselves be ploughed back to improve the physical attractiveness of the institution. The argument is of course a circular one, but emphasises the extent to which a strategic vision about excellence will ensure that excellence in any one activity must be used to reinforce others.

Institutions need to assess situations comprehensively and to take a holistic view of their operations so that they can respond quickly and effectively to external pressures. Coordination, team work, pulling together are not the usual but are now much more necessary characteristics of university life; the creation of an organisational culture which encourages open debate, but which also recognises that the institution as a whole is in the end more important than its parts will not be the product of one person's efforts but will derive from the quality of strategic management that runs right through the institution. Just as uncoordinated activity, separate agendas, and the growth of independent academic baronies can weaken an institution and open the prospect of internal dissension and counter-productive manoeuvring, so a positive organisational culture which embraces the institution and motivates the staff can enable a university to ‘punch above its weight’ in competitive situations.

Good strategic management in the modern university can only be driven by institutional ambition, by the competitive urge and by the recognition that, in the kind of competitive environment described above there are winners and losers. Strategic management works best when it operates in a very open environment where debate is at a premium and legitimate argument and challenge is never far from the surface but where pressures of time and resource compel speedy decision-making. It works least well when it is over-fed with data and where the participants in the process are defensive and unwilling to risk failure.

Too often universities separate decision-making about academic planning, physical development, and finance from one another so that, to give one example, resource allocation for academic growth or contraction fails to carry through into the provision or withdrawal of the necessary physical resources or, to give another, that unexpected financial surpluses are carried forward from year to year rather than used to bring new developments forward or reinforce those academic areas where the university can identify a competitive advantage. Good strategic management will pull such processes together so that decisions can be integrated and factors such as the timing of new academic appointments, additional student numbers and cash flow implications can be considered together. Good strategic management will back significant academic success with the resources, physical and financial, to achieve yet further success, even if achieved by an individual professor rather than a whole department, at the expense of other desirable developments. Good strategic management will support investment in activities that are generating additional resources, providing of course that the activities themselves are intrinsically supportive of university aims and objectives, because it will take the long view about the university's resource requirements. It will also support the provision of long term improvements in infrastructure which will benefit university activities in the future as against short term projects which produce only temporary gains. Good strategic management will not be risk free, but it will balance risk against advantage and it will do so less from a detailed forecast of future development and more from the perspective of where the university wants to position itself in a few years time.

In the unpredictable climate in which we now find ourselves, especially when we rely more on non-state finances, universities have always to balance defensive action, that safeguards activities or resources, against innovation and new development. If either comes to dominate, a university may be placing itself at risk, but the university that does not take risks with new academic activities or particular appointments is storing up long

term difficulties for itself. In this new climate, universities that seize opportunities and innovate stand a better chance of long term success because innovation buttresses reputation, and offers a better chance of maintaining the pace of external change than universities that adopt a defensive posture. Good strategic management, however, will seek to ensure that such new activities will succeed; it will resource them and will nurture them. Clark Kerr, in a much quoted passage, showed that between 1530 and the publication of *Three Thousand Futures*, in 1980, 62 out of the 66 institutions that had survived in recognisable forms were universities (Kerr 1980). He (and we) took great comfort from this at the time but he did not show how many had not survived nor did he define the words 'recognisable form'. Would a university that had become a 'virtual university' qualify? The march of IT or of E-Commerce has raised significant questions about institutional mergers and collaboration and has hugely disturbed the more vulnerable universities. The pace of change is increasing. To succeed and continue to prosper universities will have to invest more energy in strategic management than they have in the past and be more adaptable and more entrepreneurial, than even the current academic literature that I have quoted from would suggest.

Burton Clark has always argued that universities are bottom up organisations that are shaped by departmental activities rather than by macro-decision-making at the university's centre: new disciplines evolve out of older ones, create new organisational forms, develop new research entities, require new facilities (cf. Clark 1983). The role of strategic management is to weave these strands together within the necessary resource constraints so as to improve institutional effectiveness; at the same time it must reconcile internal with external pressures and be the conduit through which external demands inform the university community. The current climate calls for some rebalancing of bottom up and top down policy making; the key function of 'the strengthened steering core', which itself must represent the heart of the strategic management process, is that it stands at the interface of these pressures and can act corporately and if necessary, decisively to resolve them.

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