Regulatory Autonomy and Control of the European University


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Introduction

Over the last three decades, many public sector reforms have aimed at giving public organisations more autonomy from governments. Such ‘agencification’ implies that public organisations are placed at arm’s-length of direct control from political authorities. It has been widely discussed if and how the balance between control by democratic government and organisational autonomy has been changing and what such changes mean for vertical integration and horizontal integration of public sector organisations (Pollitt & Bouckaert, 2000; Pollitt et al., 2004; Christensen & Lægreid, 2007; Olssen, 2009). Agencification has also been placed within the shifts from ‘Old Public Administration’ to ‘New Public Management’ (Dunleavy & Hood, 1994) and from government control to a regulatory state (Majone, 1996). Higher education in Europe has been no stranger to such reforms and its related political and scholarly interest in the ‘autonomy of the university’ (for more recent studies see, Amaral et al., 2002; de Boer et al., 2010; Estermann & Nokkala, 2009).

This paper asks how we can make sense of organisational autonomy in higher education. What does the term ‘autonomy’ mean and what would be appropriate methods for the measurement of autonomy? When governments change the formal autonomy status of universities, which effects would we expect in terms of the universities’ real autonomy? And how can we conceptually frame the expected link between university autonomy and performance? The main aim of this paper is to contribute to the conceptual understanding of autonomy in higher education studies and related frameworks for analysing cross-national and cross-organisational variations in autonomy reforms and their possible effects. In developing our argument, we use the Dutch case for first empirical elaborations and illustrative purposes.

First, we discuss concepts and definitions of ‘autonomy’ and ‘organisational autonomy’ in public sector studies. Second, we decompose organisational autonomy into various dimensions that can be empirically studied and apply these to the description of the current state of formal autonomy of Dutch universities. Third, we explore intervening variables and mechanisms at work that enhance our understanding of the relationship between formal and
real autonomy. Finally, we discuss contrasting theories about the linkages between autonomy and performance of universities, including intervening factors.

**Autonomy: Concepts and Definitions**

When considering if and to what extent universities might have become more autonomous actors, it is obviously important to clarify what is meant by this term in general as well as in the context of public sector reform.

Autonomy is an abstract concept and subject of study in many academic disciplines such as psychology, philosophy, sociology, political sciences, (international) law, public administration and economics. The range of academic disciplines already indicates that the autonomy concept is applied to all kind of actors such as individuals, groups, organisations or nations. It is frequently associated with other concepts such as authority, choice, control, freedom, independence or power. Concepts and definitions of autonomy comprise for example: freedom and independence, the absence of external constraints in addition to having authority to act, discretion in work and freedom from supervision, the ability and will to be self-directed in the pursuit of opportunity, ability to determine its own policies, freedom from intervention and control by other agents, or decision making control that governs the determination of agent goals and tasks (Ballou, 1998; Barber & Martin, 2000; Christensen, 1999; T. Christensen & Laegreid, 2006; Gilardi, 2002; Groenleer, 2009; Laegreid, et al., 2008; Lindley, 1986; Peeters, et al., 2009; Roness, et al., 2008; Ryan & Deci, 2006; Verhoest, et al., 2004).

It goes beyond the scope of this paper to discuss the similarities and differences of these autonomy concepts. Key for our understanding is that autonomy refers to both the actor’s self (having ability or capacity) and the actor’s relationship to its environment (independence or freedom from external control). In its classical meaning autonomy refers to ‘auto’ (self) and ‘nomos’ (rule or law) and ‘autonomia’ referred to a state free to determine the rules and norms by which it wants to live (Ostwald, 1982, in Ballou, 1998: 103). It also refers to the correspondence between preferences and actions (Groenleer, 2009). “To be autonomous requires, first of all, that one have a developed self, to which one’s actions can be ascribed. This is turn requires a consciousness of oneself as a being who acts for reasons, whose behaviour can be explained by reference to one’s own goals and purposes. The other dimension of autonomy requires a freedom from external constraints. An autonomous person
is not someone who is manipulated by others, or who is forced to do their will. An autonomous person has a will of her or his own, and is able to act in pursuit of self-chosen goals” (Lindley, 1986: 6). These dimensions can also be found in Ballou (1998: 105) who specifies the following characteristics: the actor’s ability to determine its own actions, the actor’s ability to competently act on its determinations, actions and decisions are based on critical reflection and consistent with the actor’s own internally endorsed system of principles to which it is dedicated, actor’s decisions are made independent of external control.

Autonomy is in other words a continuous concept, meaning that actors can have more or less autonomy. It is a matter of degree. Autonomy is also a multi-dimensional concept, indicating that actors can be highly autonomous in one respect, but not in others. Autonomy is a situational concept and depends to some extent on the context in which actors operate. Actors who control others directly limit the autonomy of the latter actors. Actors can also impact indirectly on the use of autonomy of another actor. Modifications in the environment might have to be taken into account, e.g. from a resource dependence perspective, and can have an influence on an actor’s autonomy. Other actors might also try to exercise influence over an actor’s beliefs (Barber & Martin, 2000) that influence the perception and exercise of autonomy and control.

Such understanding of autonomy has been important in studies on autonomy in public policy and public administration. For the politico-administrative systems of modern democratic societies autonomy is of importance to the efficiency and legitimacy of political institutions and their bureaucracies and the citizens whose well-being is affected by the functioning of public services. Autonomy is not only intrinsic to agencies but a political asset (Christensen, 2001). Dominant themes have been about the legitimacy and control of democratic institutions, the rule of law for governing human cooperation and conflict resolution, and the Weberian bureaucracy exercising hierarchical, rule-based and expert-based authority as a composite organisational form of nation-states (Olson, 2009). In this context, organisational autonomy refers first and foremost to the relationship between democratic institutions and their agencies who exercise certain tasks as well as powers on behalf of democratic institutions. Traditionally, major interest has thus been in the study of autonomy and control in the relationship between democratic institutions and their bureaucracies, including for example universities as part of the state bureaucracy.

The current popularity of the ‘organisational autonomy’ concept in the study of public policy and public administration has, however, been triggered by reforms of public sector services
and by practices of public management in many OECD countries and beyond (Hood, 1991; Pollitt & Bouckaert, 2000; Reed, 2002; Olsen, 2009). Governments are seeking for more efficiency and effectiveness in public service provision through delegating some administrative and financial authorities to public service agents as more autonomous and, separately, accountable organisations. Such changes have also encouraged the view that public service organisations should become more managed enterprises with strategic actorhood. Through stronger executive leadership and professionalised management structures managerial self-steering and strategic capacities of public service organisations should be strengthened. New rule systems for the organisation of services in terms of authorities, responsibilities and accountabilities should be introduced to clear ground for a more tightly integrated management of public sector organisations. Many governments have announced attempts to step back from the regime of state control and to take a more distant framework setting and supervisory role in the relationship with their public agencies. Still, increased organisational autonomy should not be equated with the absence of external control, as the concession of more autonomy is usually expected to go along with the setting up of tighter and more sophisticated accountability regimes and auditing systems. Old bureaucratic rule-based process control is likely to be replaced by new managerial output control.

Obviously, such reform agendas use ‘autonomy’ in a special way. They shift away issues of autonomy and control from a traditional context dominated by political, legal, bureaucratic and professional actors and mechanisms towards arrangements stressing the importance of markets, managers, stakeholders, external auditors and evaluators as sources of vertical and horizontal integration (Naidoo, 2008). Such generic reform agendas make it at the same time difficult to draw conclusions about the autonomy of an organisation beyond a single relationship (e.g. between universities and the government), policy issues (e.g. legal status, budgets, human resources) and instruments (e.g. law, funding, information) (Olsen, 2009). The response in the public administration literature to capture the multi-facetted nature of organisational autonomy has been to decompose autonomy into various dimensions that are subdivided in specific observable or measurable indicators and items. From this literature we present three autonomy concepts that form the building blocks for looking at organisational autonomy in higher education. The Dutch university will be used as an illustrative example.

**Autonomy: Dimensions and Measurements**

In order to shed more light on the complex and often quite contradictory nature of university autonomy in Europe, we are in need of a clearly operationalised concept of autonomy.
Specifications by means of a qualifying adjective that have become popular in higher education studies such as ‘procedural’, ‘substantive’ or ‘conditional’ autonomy do not provide sufficient ground for empirical investigations. Especially for those studies that are aimed at measuring the impact of university reform processes on university autonomy, a more elaborate conceptual framework is needed to discover the different facets of university autonomy and to allow for hypothesis testing.

Several studies in higher education have addressed this difficulty by decomposing university autonomy in a number of dimensions ((e.g. Anderson & Ashby (1966); Anderson & Johnson (1998); Estermann & Nokkala (2009); Moses (2007); Levy (1980); Ordorika (2003); and Whitley (2007)). Common themes in these studies are autonomy in internal organisation, finance, personnel and academic matters. To claim that we witness certain overlaps in autonomy themes does not mean that they are identical. A closer look at the studies referred to underpins our view that the organisational autonomy frameworks do not only vary in terms of the number and topic of autonomy dimensions defined, but also in the composition (the indicators) of each of those dimensions.

In their review of concepts and measures of autonomy of public organisations, Verhoest et al. (2004) also illustrated the inconsistency of conventional conceptual autonomy approaches in public policy and management research. One of their major criticisms is rooted in the observation that concepts and measures of autonomy focus on one or two autonomy aspects only (typically the formal-legal status of organisations) and that the manner of data collection varied significantly across the studies. In a mapping exercise on prevailing autonomy definitions, Verhoest and his colleagues build on some more elaborated conceptualisations to decompose autonomy into six different dimensions.

Christensen (2001:120) distinguishes, for example, three dimensions of formal bureaucratic autonomy which he defines as “the formal exemption of an agency head from full political supervision by the departmental minister”. The first one, structural autonomy, deals with the insertion of either an alternative or a competing level of political supervision. It concerns the issue of who appoints the agency head and how the agency head reports (accounts) to the minister. The second dimension, financial autonomy, is about the exemption of the agency from one or more of the budgetary constraints constituting the principal rules of the governmental budgetary system. Here autonomy depends on the (non-)application of general central government regulations. The third dimension, legal autonomy, suggests the authorization by law of the agency head to make decisions in his own capacity. Legal
autonomy varies from legislation leaving no discretion to issue general regulations (low autonomy) to legislation authorizing agencies to issue general regulations to fulfil policy goals defined by law (high autonomy).

Peeters et al. (2009) use three dimensions to typify forms of autonomy in their study on central-local government relationships. The first one concerns the *distribution of tasks* between the central and local level: the authorisation to take decisions on a certain subject. The second dimension is the *discretion in executing tasks*. This is the level of detail of guidelines for the implementation of decisions. The third dimension refers to the *nature of the assigned task*. Is the implementation of decision taken compulsory or optional for the organisation? The combination of these dimensions constitute different forms of autonomy, ranging from low organisational autonomy, where the central level decides on the distribution of tasks, sets detailed regulations and implementation is compulsory to high levels of organisational autonomy, where the local level is involved in task distribution, guidelines are broad and implementation of the decision is not mandatory.

Verhoest et al. (2004:104) have constructed a “conceptual map of autonomy” that considers “two kinds of autonomy”: autonomy as the level of the organisation’s decision making competencies and as the exemption of constraints on the actual use of such competencies. This distinction comes close to the two characteristics of autonomy discussed earlier, namely the ability or capacity to act and the freedom from external interference. The first kind of autonomy refers to the extent to which the organisation can decide itself about matters it finds important. It refers to the organisation’s potential discretion because of the decision making competencies delegated or devolved to it. This organisational autonomy as decision making power has two sub dimensions labelled as managerial and policy autonomy. Managerial autonomy means that an organisation has powers in choice and use of inputs and concerns financial and human resources management and management of other production factors (logistics, housing, and organisation). The level of policy autonomy indicates the extent to which an organisation can take decisions about policy processes and procedures in order to produce goods and services, policy instrument choice, the quantity and quality of the goods and services to be produced, and the target groups it wants to reach. Through refining these sub dimensions, as we will do in the next subsection for universities, a continuum can be established that ranges from a government taking the decisions itself without asking the organisation for advice to the organisation taking the decisions without consultation of the government and not being restricted by rules set by the government.
The second kind of autonomy refers to the absence of constraints on the organisation’s actual use of its decision making powers. As Verhoest et al. (2004) rightly argue even if an organisation has significant managerial and policy autonomy, a government can control the organisation’s decision making powers by other means. The obvious case is when (public) organisations are dependent on public funding. There are four sub dimensions of this kind of autonomy. The first one, structural autonomy, concerns the extent to which an organisation “is shielded from the influence by the government through lines of hierarchy and accountability” (Verhoest et al. 2004: 105) and refers for example to the government’s involvement in selecting organisational leadership. The second one, financial autonomy, deals with the organisation’s dependency on governmental funding, alternative sources of income and to what extent an organisation is responsible for its own financial results. The third sub dimension, legal autonomy, relates to the extent to which the legal status of the organisation (e.g. public or private) complicates the opportunity to change the organisation’s decision making powers. The fourth sub dimension, interventional autonomy, is the extent to which the organisation is free from ex post reporting requirements, evaluation and audit provisions and the extent that the organisation is free from possible threats of government sanctions or interventions in the case of deviation. “When ex post reporting, evaluation, auditing and sanctions are weak or absent, the agency can use its decision making competencies to pursue its own objectives” (Verhoest et al., 2004: 106).

In our view this comprehensive taxonomy can also successfully be applied in the field of higher education and lays the ground for more systematic cross-national and cross-organisational comparisons. It fits well the two main characteristics of autonomy as well as the view that autonomy is a relative, multi-dimensional and situational concept. We have adapted the autonomy taxonomy of Verhoest et al. in a number of ways (see de Boer et al., 2010). First, dimensions and particularly the indicators are translated to the world of higher education. Secondly, we have split Verhoest’s et al. dimension of managerial autonomy into two dimensions: human resources managerial autonomy and financial managerial autonomy. Consequently, we depict seven dimensions and accompanying indicators for the autonomy of universities. Thirdly, we would argue that through expanding and adapting Verhoest’s et al. structural dimension, it should be part the organisation’s decision making competences and not be seen as an exemption of constraints to actually use decision making competences. The ability to establish the university’s governance structure is a capacity that a university might or might not have. We have thus relabelled this dimension.
For a first application we have used the autonomy taxonomy to describe the formal autonomy of Dutch universities. The outcomes are presented in the next section.

**Formal autonomy in Dutch universities**

With respect to *human resource management* Dutch universities have certainly gained in autonomy because the government has been stepping back from detailed rules and regulations. Dutch universities are nowadays the employers of all their staff and can introduce line management instruments. They can decide themselves on the number of academic posts and select persons of their choice without governmental interference. The university autonomy remains, however, medium to low due to other actors and mechanisms. Salaries and many other labour conditions are set by collective bargaining between the national employer association and the unions, followed by local negotiations between the individual university and the local unions. The Collective Labour Agreements at the national level, legally binding for the universities, comprises among other things agreements about minimum and maximum salaries, detailed descriptions of staff positions and career ladders, job appraisals and procedures for promotions. Managerial discretion is furthermore bound to the general legal rules for hiring and firing in the Netherlands and the Dutch public service. Managerial discretion has increased but is still being limited within \ framework of national rules and regulations.

The university’s decision-making *capabilities to manage financial affairs* are considerable. Dutch universities can decide on how to spend the public operational grant, set the tariffs for contract activities, borrow money form the capital market, build op reserves and carry over unspent resources from one year to the next. They can set up and change rules for internal budget allocation, develop their own managerial tools for internal performance agreements or targets for budget allocation or organise internal competition in contests for certain parts of the budget. Dutch universities can, however, not decide on tuition fees for Bachelors and Masters programmes: they must charge tuition fees that are fixed by the ministry (€ 1.732,- annually).

The levels of *policy and governance autonomy* are relatively moderate to low. Dutch universities have to accept all qualified Bachelors students (with exceptions for some disciplines), although they may ask the minister to fix the number of study places for particular programmes because huge demand in combination with limited capacity (so-called ‘capacity fixus’). Universities can select their Masters students and as the result of that
determine themselves the number of study places for Masters programmes (again, with some exceptions). The development of new Bachelors and Masters programmes is subject to both accreditation (by a national agency) and ministerial approval. Research programming is up to the university. The governance structure is to some extent prescribed by law. By means of university bylaws the universities have some leeway to develop a structure to their taste, but within the legal framework. Although appointed by the university’s supervisory board, the national Act stipulates the guidelines for the selection of the rector. The members of the supervisory board, all external, are appointed by the minister. National law also prescribes a further top-down decision-making on managerial positions: the university leadership appoints the deans and directors of central university research institutes, the deans appoint head of departments etc.

As regards legal autonomy, the situation of Dutch universities has not changed. They are public agencies bound to the general rules and regulations that apply.\(^1\) The financial autonomy situation of Dutch universities has somewhat changed due to a modest trend towards revenue diversification. Two third of the budget of Dutch universities derives nowadays from the government. Universities are seriously dependent on this income stream that comes with strings attached as regards funding by student numbers and a related component to subsidise basic funding for research. Some shift of governmental money for research to the research council and other bodies running governmental programs for research as well as the introduction of tuition fees has, however, led to some revenue diversification. This implies that Dutch universities are nowadays somewhat less dependent on direct governmental funding while other actors (intermediary bodies, students) have gained control over some part of the income of the university.

Finally, the interventional autonomy of Dutch universities is low since they face several ex post reporting requirements: They must have internal and external evaluation systems for both teaching and research. They have, across the board, the opportunity to decide on the methods they want to use, but these methods are evaluated by a national agency. Moreover, they have to report on their activities in annual reports and audited financial statements. In addition, external research sponsors have established their own reporting requirements that might range from rather loose procedures for research council grants to detailed prescriptions by sponsors

\(^1\) Three of the thirteen universities have a private status. To qualify for public funding, or in general terms to be treated equally as the other universities, these same rules apply to these private universities.
such as the government itself or the European Commission. This adds another layer of control on the university.

This brief sketch already highlights the dynamic and ambiguous nature of the formal autonomy situation of the Dutch university that would be blurred in generic statements about the ‘new freedom’ of universities. The balance of autonomy and control in relation to the government has certainly changed. Overall, managerial autonomy in finance and human resources has increased while new strings have been attached in parallel to strengthening leadership and management in universities. Political and governance autonomy are still rather limited. Legal autonomy has not changed and financial autonomy from government is still low as well. Interventional autonomy has certainly decreased. In sum, there is certainly a movement towards output control while process control has been decreased in some areas but not in others.

Further, the government is still very present in defining the rules of the game. Shifts towards more formal autonomy of universities have been initiated by the government, in some cases against the opposition of the universities, and government is controlling the autonomy of the university. What has been given can also be taken away if the government would decide to row back in its overall arrangement of governing universities. The rhetoric surrounding Dutch university reform stresses their increased autonomy while the government systematically down-played old and new forms of control.

Finally, the Dutch government has placed universities in a more complex multi-level and multi-actor constellation of autonomy and control. Some control has been delegated to collective bargaining; intermediary bodies have taken over some of the traditional governmental roles in rule setting and funding; the student purse has gained some control over part of the budget of universities; and government appoints external board members of universities being expected to control major aspects of financial policies, human resource management policies, and strategic development of universities.

**Formal autonomy and real autonomy: A contested relationship**

The previous section has led us to a number of conclusions as regards the multi-dimensional empirical investigation of the autonomy of universities and the current autonomy situation Dutch universities face. Arguably, an understanding of the formal autonomy of universities goes beyond traditional perspectives focussing on the legal status of public organisations
Formal autonomy is, however, only one side of the coin. Further understanding of the real (or de-facto) autonomy of universities is needed as well.

From the point of view of a structural-instrumental perspective these two sides of the coin would be expected to look pretty similar since the real autonomy of an organisation should reflect its formal autonomy (Bach, 2010). This perspective focuses on the effects of formal rules and regulations, organisational structure (e.g. vertical and horizontal coordination, specialization and standard operating procedures) and organisational capacity on decision-making in and between organisations (Egeberg, 1999; Lægreid et al., 2006). According to this view, how public organisations are organized, what formal goals they have, and what rules they have to follow will affect how much autonomy they have.

Several studies have shown that such a perspective might be unrealistic since an agency’s formal-legal type frequently does not correspond to perceived levels of organisational autonomy (Lægreid et al., 2006; Verhoest et al., 2004; Yesilkagit & van Thiel, 2008). Formal autonomy, usually drawn up from constitutions, laws or decrees, prescribes which actions are required, prohibited or permitted. But there are good reasons to assume that autonomy in practice is not a perfect copy of formal autonomy. Without ignoring or disobeying formal autonomy rules actors can bend the rules. In fact, formal rules cannot prescribe in advance any action in detail, which means that they leave by definition room to actors to make their own decisions, as Lipsky for instance demonstrated in his classic study on street-level bureaucrats. Moreover, it is likely that in complex and continuously changing systems conflicting values and norms could ‘force’ actors to make choices that may deviate from the (original) formal rules. And actors can play lip service or deploy symbolic action in line with formal rules that actually mask their real actions.

There are in other words good reasons to expect that the degree of formal autonomy granted to universities does not necessarily translate into the same degree of real autonomy. We would argue to rather expect a number of trade-offs, dilemmas, eventually unintended paradoxical effects as well as principal limitations when it comes to the de-facto autonomy of universities as organisations.

First, we expect that characteristics of the primary tasks of a public organisation strongly affects the potentials and barriers for autonomy and control (Pollitt et al., 2004; Verhoest et al., 2009; Wilson, 1989). This is the core argument of the task-specific perspective in organisational studies. Musselin (2007) and Whitley (2008) have provided arguments to
assume that universities’ capacities to develop firm-like strategic actorhood will be limited even under conditions of decreased state control, increased organisational autonomy and growth of internal managerial control and surveillance. Such limitations are ascribed to inherent characteristics of universities as part of the public science system, i.e. the inherent technological uncertainty of their core activities; their deeply embedded fragmentation; and competing sources of coordination that universities share with governments, funding agencies, academic professionals and their epistemic elites. Limitations in the coordination and direction of research by universities stem from the perennial uncertainty of scientific research production about processes and outcomes. As organisations, universities thus possess limited discretion over expected outcomes and also have to rely, at least to some extent, on second-hand assessments of performance within scientific communities and evaluation exercises. Further, systematic planning, coordination and integration are limited by the division of academic labour along the lines of fields of research and teaching with their specialist knowledge and skills. Central coordination and integration for collective goal achievement will have to rely on the contributions of loosely coupled parts of the organisation to the whole. Under such conditions “strategic choices are more similar to those of holding companies and investment portfolio managers than entrepreneurial decision-making in more authoritatively integrated and directed work organisations” (Whitley, 2008: 25). Finally, universities will not only have to share authority and coordination with the state but also with epistemic elites (as providers of information and judgement) and funding agencies and sponsors (as resource providers and increasingly also as actors setting research priorities and performance expectations).

Within such limitations, universities can, however, develop different degrees of autonomy and different capacities for decision-making that are intimately tight to the role of the state in the political economy in general and in public sector regulation in particular. Other mechanisms at work can thus be identified in understanding the intriguing relationship between formal and real autonomy.

Second, university reformers might experience an implementation gap, and the university is not an unlikely case for experiencing problems in actually implementing a new regime of autonomy and control. One reason for this is that universities have traditionally been different from other public organisations. The professional autonomy has been higher than in other public sector organisations, the internal administration was only loosely coupled with the academic core activities, leadership and management have been weak, and the organisation
has been deeply fragmented by academic specialities. The formal organisation as well the culture of universities has been different and quite alien to a reform agenda that has been inspired by reforms of other types of more firm-like production organisations. In the 1980s, the Dutch were, for example, a Continental European frontrunner when the government adopted a policy designed to replace the previous centralized arrangements with an autonomy policy designed to grant universities increased decisional leeway (Goedegebuure & Westerheijden, 1991). Such radical change was, however, met by scepticism from the universities. The result was that the impact of institutional autonomy was not as great as expected, because the traditional approach to internal policy-making, based on consensual and distributive policy, continued to prevail (de Boer & Huisman, 1999). It was in 1997, that the internal governance system of universities was changed by law in order to force Dutch universities to develop managerial autonomy and intra-organisational hierarchical steering capacities according to the logic of the verticalization of responsibility for decision-making (de Boer, 2009).

Third, governments might to some extent have stepped back from control of their universities while they still remain the most important player in the field in terms of rule-setting (including autonomy rules) and funding. Acknowledging that autonomy as such would be too simplistic to portray the complex relationship between universities and the state, Neave (1988:46) already assumed that universities are only autonomous on the condition that their policies and missions are in line with national or governmental norms and expectations that are constantly subject to renegotiation in light of public policy. This view comes close to the notion of ‘regulated autonomy’ (Hogett, 1996) or ‘freedom within boundaries’ as presented in the wider public administration literature. Under such circumstances, public agencies might prefer to avoid hierarchical intervention by the government. They will try to anticipate the political and administrative position and up-coming policies, which is a well-known mechanism from the study of decision-making within the ministerial bureaucracy (Mayntz & Scharpf, 1975). As a consequence, public organisations work ‘in the shadow of hierarchy’ and the formal autonomy of the university might be higher than the actual level of autonomy used because university leadership anticipates the government’s position.

Fourth, and as we have already exemplified by the Dutch case, decision-making authority might not only be given to the universities but to other actors as well. Some of these actors work on behalf of the government and are expected to use their delegated authority to control certain activities of universities. Other actors such as the academic communities have always
played a role in controlling part of the resources of universities. These actors have gained in importance due to governmental policies trying to mobilise traditional means of peer review as tools for further monitoring and control of the universities. Other actors, such as research sponsors and students also gain in importance when it comes to the resource dependencies of universities. In practice, universities find themselves in a more complicated matrix of autonomy and control that is likely to impact the real autonomy situation of the organisation.

Finally, universities experience more autonomy in some dimensions while stronger (state) control is exercised in other dimensions. Given the inter-dependencies between dimensions of autonomy this might result into paradoxical effects for the organisational autonomy of the university. In the Dutch case, managerial autonomy for budgeting in universities has, for example, certainly considerably increased. At the same time, state-induced new control technologies for financial auditing have effected in streams of rule setting and red-tape for the organisation that are likely to limit managerial discretion in this area. Managerial autonomy for human resources has increased as well while traditional state control in this area has partly been delegated to collective bargaining. Collective bargaining has resulted into an impressive amount of binding rules and regulations for employment conditions, selection and promotion of academic staff that severely restrict the decision-making capacity of the organisation in this area. Such observations point into the direction of a form of Tocquevillian paradox that Pollitt et al. (1999) noted in a cross-national study on evaluation and audit of public bureaucracies, namely the unintentional production of bureaucratic activity of a style sometimes even more rule-based and process-driven than the ‘traditional’ forms of public bureaucracy that were meant to be supplanted. A related though different unintended effect of measurement and indicators has been put forward by Frederickson (2003). He argues that the rise of standardised performance expectations and measurements as well as the rise of benchmarking and rankings promotes isomorphism and conformity rather than the specialisation of public organisations that has been intended. Universities are likely to experience such effects as well and this would actually inhibit the kind of ‘profile building’ of universities that many governments including the Dutch would hope for (but still miss).

**The Effects of Changing Autonomy and Control: Explorations and Expectations**

Interestingly enough little attention has so far been paid to the possible impact of changes in systems’ governance and organisational autonomy on the performance of universities and
higher education systems. Very few studies have investigated the relationship between governance (reforms) and the performance of higher education systems and institutions.

Knott and Payne (2004) have studied the impact of state governance structures on the management and performance of higher education institutions in the United States. Their overall conclusion is that governance structures do matter (Knott and Payne 2004:28). The system’s governance structure influences important choices in terms of resource allocation and sources of revenue. Moreover, the governance structure may also have an indirect effect on how institutional management makes decisions. Aghion and colleagues have conducted a number of studies on the relationship between governance and performance (Aghion 2007; Aghion et al. 2007; Aghion et al. 2008; Aghion et al. 2009). Their outcomes suggest that university research performance is positively correlated with university autonomy. Their findings suggest a positive relationship between competition (for research grants) and university output (i.e. position on the Shanghai ranking). Data for the U.S. were also used to look at research performance defined as the number of patents. From these American data, the researchers “would (...) like to suggest” a causal relationship between public university autonomy and competition on the one hand and research output in terms of patents on the other hand (Aghion et al. 2009:24).

Recently, a CHEPS-led consortium investigated the possible links between governance reforms and higher education performance at the system’s level in European higher education (de Boer et al. 2010). In the analyses the possible links were controlled for the level of public investment in higher education (public expenditure on tertiary education as a percentage of GDP) and for the economic standing of the countries (on the Global Competitive Index). For system performance eight dimensions were selected: access, mature learners, graduation, employability, international student mobility, research output, capacity to attract funding and cost effectiveness. The outcomes suggest that there appeared to be a link between the output of the primary processes in terms of numbers of graduates and articles published and the level of institutional autonomy. For the other dimensions, performance was explained more by a combination of other factors such as socio-demographic developments or economic developments.

Van der Ploeg and Veugelers (2008) also show an interest in the relationships between the governance, funding and performance of Europe’s universities. Primarily based on secondary analyses (using data from the Global Competitive Index of the World Economic Forum, the Shanghai and THES rankings, OECD indicators and the Bruegel group), they find some
indications that a number of the better performing countries have high levels of autonomy while weak performing countries tend to be low on autonomy, although there are exceptions and there is a large dispersion of governance characteristics.

The most important conclusion “that can be drawn from the available evidence is that more research is needed to pin down the drivers of university performance” (Van der Ploeg & Veugelers 2008:110). The link between university autonomy and performance is thus empirically inclusive and conceptually under-theorized. On this background, we will subsequently point to competing theories that would help to understand the (non-)existence of possible links between organisational autonomy and performance as well as elaborate upon important intervening variables that we would expect to affect this relationship. We build our argument on a conceptual framework developed by Verhoest et al. (2010) that investigated the performance of public agencies and adopt it to the study of organisational autonomy and performance in higher education.

The lack of empirical evidence for a link between autonomy and performance in the study of public organisations in general has prompted scholars to use sociological concepts to explain widely dispersed trends such as agentification. In fact, within the framework of sociological neo-institutionalism more autonomous universities would not need to be expected to be better performers.

In this school of thinking, institutions are perceived as ‘rationalized myths’. In every organisational field there are claims of ‘best’ ways to organize, structure, and manage organisations despite the lack of the empirical evidence for such claims (Meyer & Rowan, 1977). The social evolution of organisations and their survival rest on compliance to formal structures (that may or may not function) and social expectations rather than on actual performance (Meyer & Zucker, 1989). In institutionalised environments, organisations conform ceremonially and symbolically in response to myths of rationality that pre-scribe certain widely accepted cultural rules for ‘good practice’. At the same time, organisations are expected to decouple their core activities from their formal structure in order to meet inconsistent demands for legitimacy and efficiency while protecting and preserving their technical core.

Universities are well-known examples for de-coupling as well as a prime example for loosely coupled systems (Weick, 1976). In such organisations, activities and decisions made at one level do not reflect in a patterned way at another level. Organisations’ structural elements are
only loosely linked to each other and to activities. Rules are often violated, decisions are often unimplemented, or if implemented have uncertain consequences, technologies are of problematic efficiency, and evaluation and inspection systems are subverted or rendered so vague as to provide little coordination (Meyer & Rowan, 1977: 343).

Structures therefore do not follow function while organisations within a certain field, such as higher education, are expected to be similar or to become more homogenous because they conform to the same institutional pressures and mimic other successful organisations (DiMaggio & Powel, 1983). For example, public universities by and large look similar when compared to other groups of public or private organisations. Neo-institutional theorists view organisational design not as a rational process but as one of external and internal pressures that lead organisations in a field to resemble each other over time. In this perspective strategic choices would be perceived as coming from the institutional environment in which an organisation is embedded (Hall, 1999). We assume that particularly universities embedded in public sector reform will face some form of isomorphic pressure in a situation where measurement of performance is difficult, resource dependencies are high, and normative pressures from different important actors are high as well.

In sum, sociological institutionalism warns against an optimistic view as regards an instrumental link between the autonomisation of public organisations and increasing performance in general and even more so for universities that have been analysed as the prime example for the working of rationalised myths and loose coupling.

In contrast to a neo-institutional perspective, frameworks in the rational choice institutionalism would expect performance enhancements of more autonomous public service providers.

The theoretical underpinning of the public sector reform movement is indeed, at least partly, found in economic neo-institutionalism, such as agency theory (Jensen & Meckling 1976; Pratt & Zeckhauser, 1991; Moe, 1984) and property rights theory (Furubotn & Pejovich, 1974). These theories emphasise the benefits of autonomy in the sense of specialisation and the consequent superior performance (economy, efficiency and effectiveness).

From this perspective, the autonomisation of public organisations including universities is considered to be a necessary condition to enable utility maximising actors within the organisations to enhance organisational performance. In addition, agency problems in the external relationship of public organisations with the governmental principal will be reduced.
 Basically, autonomisation followed by the exercise of managerial tools within the organisation and output control by the principal will help to overcome structural problems in principal agent relationships stemming from goal conflict and information asymmetry. Such principal agent problems might lead to adverse selection, moral hazard and to deviant or subversive policy execution that can be overcome by risk turnover, getting the incentives right, bonding in performance arrangements and monitoring of actual performance – leading to a higher performance of the agent according to the goals of the principle.

Obviously, public sector reform in general and in universities more particularly has been inspired by these concepts leading to a normative literature that takes a very positive stance towards the adoption of organisational autonomy in higher education. As Whitley (2007) and others have argued, the autonomisation of universities might indeed increase their strategic actorhood and related managerial capabilities for running the organisation.

Several sector specific and task specific characteristics need, however, to be taken into account and add complexity to the standard framework of principal-agent theory. First, modern universities have always combined various functions in service of society and economy. They are functionally under-differentiated organisations and multi-product providers. Political reform has been accompanied by goal inflation as regards not only the performance of universities in traditional terms of teaching and research but also as regards the stress of new functions, most notably the ‘third mission’ of universities and their contribution to the innovation system. This adds complexity to principal-agent relations potentially leading to growing goal confusion and information asymmetry.

Further, universities are classical examples for multiple principle-agent relationships. Most arguably, universities’ and their professionals do not only consider government as their principal but disciplines and academic communities as well. On the one hand, this leads to a situation where the commitment of the professional workers for their peer communities has always been stronger than their organisational commitment (Enders & Teichler, 1995). Unfortunately, attempts at strengthening the role of the university as a (semi-)autonomous strategic actor have so far not led to a strengthened organisational commitment of their academics (Jacob & Teichler, 2011). On the other hand, universities need to rely to a considerable extent on academic communities who play an important role in controlling major resources of the organisation (e.g. information on the quality of research and the quality of staff affecting organisational and individual reputation, exercising control in peer-reviewed processes on publication and funding opportunities). University reform tend to be
accompanied by governmental attempts to strengthen the control of universities via peer review as a mode of internal and external control and monitoring. In addition, attempts at strengthening revenue diversification in research (shifting money to research councils, increasing private investment in university research) as well as in teaching (tuition fees) lead to a situation where other principal actors than government control potentially increasing parts of the financial resources of the organisation.

Even the most optimistic proponents of the autonomisation of public sector organisations are likely to agree that there are several important factors intervening into the relationship between autonomy and performance. Building on Verhoest et al. (2010), the empirical investigation of this contested link would have to control for a number of variables: resources, quality of management, decision making processes, culture and task-specificness.

Most obviously, resources are an important – if not the most important - determinant of organisational performance, a necessary but not per se sufficient condition. Aghion and colleagues as well as de Boer et al. (2010) have indeed pointed to the level of funding as a co-determinant of university performance. They also detected interaction effects: higher levels of funding have more impact when combined with managerial autonomy in financial affairs. We might thus expect that insufficient resources will limit organisational performance even under conditions of optimal autonomy. At the same time, resources may be used in more or less efficient ways and ‘getting the incentives right’ might lead to certain efficiency gains in the use of resources.

Some studies have shown that the quality of management might matter for the performance of public sector organisations. ‘Good management’ is indeed assumed to play a major role in increasing organisational performance if the autonomisation of universities leads to the strengthening of managerialism and managerial tools. At the same time, universities might become more vulnerable to ‘bad management’ that would in turn harm organisational performance. So far, little is known about the management and mismanagement of universities. A number of studies have built on the idea of the rise of management fads and fashions in higher education (Birnbaum, 2000) that shed some first light on related issues. Universities are also full of rumour about management failures, most notably spread by academics. The study of management and mismanagement in universities is, however, still to be undertaken.
A related though different aspect concerns the important question of the actual use of autonomy in *intra-organisational decision-making processes*. Principal agent theories assumes a rational choice approach not only in the relationship between government and organisations but also for decision-making within the organisation. Lepori (in this issue) discusses various analytical approaches to study decision-making in universities’ internal budgeting and raises doubts on the rational choice model. He provides evidence for other approaches that assume more path-dependent institutionalised decision-making as well as power-based political decision-making.

This intervening variable also refers to the possible influence of *organisational culture* on performance that various studies have pointed at. Verhoest et al. (2010) follow basic assumptions of principal agent theory and hypothesise that an organisational culture that stresses goal achievement and customer satisfaction will improve performance. In contrast, bureaucratic organisational cultures that stress rules and regulations, standardised procedures and close supervision will be less effective. Empirically, it will, however, be necessary to study to what extent more autonomous organisations have actually moved away from a bureaucratic culture. As we have argued above, university reform does not necessarily lead to a de-bureaucratisation of universities. In addition, organisational culture is tight to other organisational characteristics such as size (‘big is beautiful’) and age (signalling ‘reputation’) that have been found to influence the performance of public universities (Aghion et al., 2008).

Finally, various studies have pointed at the usefulness of a *task-specific perspective*. It refers here to the importance of the observability and measurability of outputs of organisations and as the result of that the degree to which external and internal actors can actually control what an organisation does and how well. Wilson (1989) has classified public organisations along this dimension and developed ideal types of public organisations confronted with specific management challenges. Arguably, universities outputs are not as easily accessible as the outputs of organisations that Wilson called ‘production agencies’. Gregory (1995) has argued that the increasing use and specification of outputs and related indicators derived from production agencies will lead to a ‘production paradox’ with unintended negative consequences for other organisations, such as universities, where activities and results are not readily observable. The counter-hypotheses has been put forward by Barzeley (2000) and Hood & Peters (2004) who have argued that the observability of activities and results is not an inherent or technical quality of certain public services but a reflection of changeable cultural and political dispositions. Obviously, the increasing efforts made to make the activities and
outputs of academic work more observable, measurable and comparable provide a most fascinating field of observation for the social construction of performance in public service provision.

Conclusion and Outlook

As a consequence of public sector reform in higher education the university as a ‘corporate actor’ has substantially gained attention in processes of exercising collective coordination. A new widespread policy belief has emerged that stresses the transformation of the university to become a more autonomous and accountable, hierarchically integrated and tightly managed strategic organisational actor. In this ‘system of thought’, enhanced autonomy for public organisations is regarded as the proper response to environments that are increasingly growing in complexity. Highly uncertain and complex policy domains should require decentralised managerial flexibility to respond swiftly to rapidly changing and highly competitive environments. Moreover, the development of public sectors with organisations that have significant organisational autonomy might lead to more stability through insulating public policies from the turbulence of daily politics (away from being swayed by the political issues of the day). It also is supposed to put public services closer to citizens, to improve flexibility, to facilitate partnerships with other agencies, and to increase output and legitimacy.

The autonomisation of universities is appealing to many and the dominant account in the literature holds that universities are indeed in a transformational process that encompasses at least some of the agenda points of overall public sector reform. There are, however, good reasons to question the empirical reality as well as the causal logic of this system of thought. Our paper attempts to make a methodological and conceptual contribution to the understanding of autonomy and control in higher education studies and related further research investigations into cross-national and cross-organisational variation in autonomy and their potential effects on the performance of universities.

First, we have built on concepts and operationalisations of organisational autonomy in the study of public administration. We adopted them to universities in order to address the complex, multi-dimensional and situational nature of autonomy. Our autonomy framework differentiates seven dimensions addressing the university’s decision-making capabilities as well as the (absence of) constraints on the actual use of organisational autonomy. A first
application to the formal autonomy of Dutch universities exemplified the usefulness of the framework and highlighted the dynamic and ambiguous nature of the autonomy situation of the Dutch university. In this case, governmental policies towards the de-centralisation of responsibilities and the autonomisation of universities has been accompanied by the re-enforcement of old and the establishment of new tools for governmental control. Government still defines the rules of the game and controls the autonomy of the university. The re-regulation of higher education has also contributed to the emergence of a multi-level and multi-actor playing field of autonomy and control. The rise of quasi-governmental agencies and intermediary bodies, attempts to increase the role of students, and, last but not least, the strengthening of the role of academic communities via peer review bear upon the new freedom of universities.

Obviously, further application of our framework in cross-national comparative perspectives is needed and suggested as a next step in providing a detailed and rich analyses of autonomy and control of European universities. Such a comparative analyses of the autonomy situation of European universities will not only enrich our descriptive insights but also allows for further explanatory analyses of the local adoption of autonomy policies in various countries and their effects on the real autonomy situation of the universities.

Second, we have argued that the real autonomy of universities still remains an empirical puzzle and rejected the structural-instrumental perspective that expects the real autonomy of an organization to reflect its formal autonomy. According to the task-specific perspective in organizational studies we rather expect principal limitations in the real autonomy of universities as specific organisations. Further, we expect various factors to impact on the relationship between formal and real autonomy: implementation gaps of autonomy policies, universities working ‘in the shadow of hierarchy’ and anticipating governmental policies and intervention, increasing embeddedness of universities in a multi-level and multi-actor matrix of autonomy and control, and inter-dependencies between different dimensions of autonomy.

Our approach calls for further research into the real autonomy situation of universities in cross-national and cross-organisational perspectives in order to contrast the formal and real autonomy situation of universities and to investigate the effects of intervening variables. Further empirical investigation is also needed for the analyses of intra-organisational actor’s perceptions of the autonomy situation of universities and for enhancing our understanding of ‘autonomy in use’- the actual capabilities and constraints of actors in universities’ real life decision-making processes.
Finally, the expected link between organizational autonomy and public service performance is empirically inclusive and conceptually under-theorized. Universities are no exception from this more general diagnoses that has prompted scholars to use frameworks of sociological institutionalism to reject the political theory of practice that assumes that increasing autonomy of public organisations would improve actual performance. In contrast, rational choice based principle-actor theories and theories of the firm would expect a clear cut relationship between autonomy and performance - if the principle gets the incentives right and the agents act accordingly. Future research on this important topic is needed and should look in greater detail at correlations between real autonomy and multi-dimensional measures of universities’ performance. Further investigation is also needed to study the mechanisms at work that would explain the (absence of) causal relationships. Our paper contributes to this line of research by identifying a number of factors that we expect to co-determine performance and to intervene into the link between autonomy and performance: availability of resources, organizational characteristics, the observability and measurability of activities and outputs, the quality of management, and the actual use of autonomy in intra-organisational decision-making processes.
References

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