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2004

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# Conclusion: Looking to the Future

## Abstract

[Excerpt] A number of important themes emerge from the chapters in *Governing Academia*. First, decentralization gives individual units—be they university campuses within a state system, colleges within a university, or departments within a college—an incentive to act in their own best interests, but less of an incentive to work toward the common good. As Heller points out, at the level of a state system, decentralization of control may lead to wasteful overlap between campuses. As Wilson shows, decentralized budgeting in the form of responsibility center management models may cause units not to maximize the quality of the education they are providing students. And, as Lohmann demonstrates, decentralized hiring by departments may lead to ossification, replication of the status quo, and a failure to move quickly into new areas of inquiry that require interdisciplinary approaches.

A second theme is that there may not be any single optimal design for a governance structure either for a system of state academic institutions (Heller), for boards of trustees (Hermalin), or for the organization of the university (Lohmann). Rather, what arises reflects the local history of each organization and the very different constraints it faces. Put another way, the variety of governance structures and organizational forms that we observe in place at a point in time may be present for very good reasons. It is natural for institutional arrangements to evolve as conditions change; hence the movement first away from, and then back toward, central control of the public university system in some states may reflect adaptation to changing circumstances and needs rather than irrational behavior.

The third and final theme is that the changing environment that higher education faces is likely to continue to influence the forms of governance we see in academia and the way academic institutions behave. Recent decades have seen the growing use of part-time and non-tenure-track faculty as academic institutions try to cope with financial pressures. It is not surprising, therefore, that Kaplan finds that faculty authority in governance tends to be concentrated in academic matters and that more and more financial matters are the purview of the administration. The growing threat from for-profit providers leads Pusser and Turner to worry about whether the traditional nonprofit higher education sector will maintain its concern for the public good and continue to act in the public welfare. The rush to commercialize faculty research findings is but one example.

## Keywords

budgeting, higher education, tuition, costs, efficiency

## Disciplines

Education Economics | Higher Education | Labor Economics | Labor Relations

## Comments

### Suggested Citation

Ehrenberg, R. G. (2004). Conclusion: Looking to the future [Electronic version]. In R. G. Ehrenberg (Ed.), *Governing academia* (pp. 276-280). Ithaca, NY: Cornell University Press.

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## *Conclusion: Looking to the Future*

RONALD G. EHRENBERG

A number of important themes emerge from the chapters in *Governing Academia*. First, decentralization gives individual units—be they university campuses within a state system, colleges within a university, or departments within a college—an incentive to act in their own best interests, but less of an incentive to work toward the common good. As Heller points out, at the level of a state system, decentralization of control may lead to wasteful overlap between campuses. As Wilson shows, decentralized budgeting in the form of responsibility center management models may cause units not to maximize the quality of the education they are providing students. And, as Lohmann demonstrates, decentralized hiring by departments may lead to ossification, replication of the status quo, and a failure to move quickly into new areas of inquiry that require interdisciplinary approaches.

Each suggests that designs of academic governance structures need to pay serious attention to reducing problems that decentralization may cause. Heller notes that states establish governance structures and funding mechanisms that will promote state goals, but that institutions work within these constraints to maximize their own goals.<sup>1</sup> He also notes that there does not appear to be any single form of state governance that unambiguously works best in each situation. Indeed, it appears that states tend to oscillate between more and less state control and oversight of their systems. Wilson suggests that responsibility management center budgeting systems require strong academic leadership at the center of the university to ensure academic quality in each of the university's colleges. In my book *Tuition Rising* (2000a), I similarly stress the importance of either the university having strong central academic

leadership or the central administration having sufficient resources (from its own endowments or from revenue that it receives from "taxing" each of its colleges) to induce cooperative behavior and get colleges to buy-in to university-wide priorities. Lohmann suggests that one way for colleges and universities to overcome the resistance of departments to hire new faculty members with interest in emerging interdisciplinary areas is to assign positions jointly to the departments and the interdisciplinary programs.

A second theme is that there may not be any single optimal design for a governance structure either for a system of state academic institutions (Heller), for boards of trustees (Hermalin), or for the organization of the university (Lohmann). Rather, what arises reflects the local history of each organization and the very different constraints it faces. Put another way, the variety of governance structures and organizational forms that we observe in place at a point in time may be present for very good reasons. It is natural for institutional arrangements to evolve as conditions change; hence the movement first away from, and then back toward, central control of the public university system in some states may reflect adaptation to changing circumstances and needs rather than irrational behavior.

A related inference that can be drawn from Hammond's chapter is that as the issues facing universities and the importance of different areas of inquiry change, it may be important for universities to consider reorganizing their hierarchy so as to facilitate the things they consider most important. For example, Cornell University recently established a "virtual" college of information sciences, with the dean having control over a number of faculty positions, as a way of stimulating the infusion of information sciences into the teaching and research programs at all of Cornell's colleges; the prior department of information science, which was located within the College of Engineering, was unlikely to be able to do this. Establishment of this virtual college is very consistent with Lohmann's suggestions about how to create new interdisciplinary programs.

The third and final theme is that the changing environment that higher education faces is likely to continue to influence the forms of governance we see in academia and the way academic institutions behave. Recent decades have seen the growing use of part-time and non-tenure-track faculty as academic institutions try to cope with financial pressures. It is not surprising, therefore, that Kaplan finds that faculty authority in governance tends to be concentrated in academic matters and that more and more financial matters are the purview of

the administration. The growing threat from for-profit providers leads Pusser and Turner to worry about whether the traditional nonprofit higher education sector will maintain its concern for the public good and continue to act in the public welfare. The rush to commercialize faculty research findings is but one example.

Most of the growth of enrollments in higher education is in the public sector, where there are fewer impediments to increased faculty unionization than there are in the private sector. The growth in graduate student unionization that my chapter coauthors and I pointed out suggests that there will be a cadre of new entrants to the academic profession who are much more sympathetic to the notion of faculty unions than the generations of academics that preceded them. It is thus reasonable to predict that in the years ahead we will see increased collective bargaining coverage of tenure-track faculty in public higher education. The financial stresses that have caused academic institutions to substitute part-time and non-tenure-track faculty for tenure-track faculty will probably continue, and it is likely that these faculty members will increasingly become a fertile ground for unionization activities. The *Yeshiva* decision applied only to tenure-track faculty, so this pressure for unionization of adjunct and non-tenure-track faculty will be felt in private as well as public higher education.

Projections undertaken even before the financial crisis and recession of 2001 and 2002 suggest that most states will not have the resources to meet the increased demand for college enrollments that is occurring now and that is projected to occur during the first decade or so of the twenty-first century (Ehrenberg 2000c). This imbalance of resources and enrollment pressure will likely lead to increased demands for accountability in public higher education and to pressures for increased centralization and control of state university systems.

One way states try to achieve increased accountability is by adopting performance incentives in their budgetary processes or, more directly, by adopting performance budgeting systems in which institutional budgets are directly tied to one or more measures of institutional achievement. While there is evidence that states are increasingly adopting such systems, there is little evidence that this adoption has had any measurable effects on how public institutions behave.<sup>2</sup>

Demands for accountability will also lead to increased demands, at least in the public sector, for more constituent representation—in particular, faculty and students—on boards of trustees. Freedman suggests that it would be wise for institutions to resist such pressures, because

he fears that "constituent trustees" often perceive themselves as acting as representatives of their constituents, rather than as acting in a fiduciary capacity.

The growing need to raise revenues from sources other than tuition or state appropriations will lead to increased pressure on both private and public academic institutions to increase their annual appeals and their endowment. This will in turn likely also create pressure on private institutions to expand the size of their boards of trustees, to enable the institutions to "reward" more large donors with seats on their boards and to keep the donors involved with the institution so that the likelihood of their making future gifts increases. In both private institutions and public institutions, where board size is often established by state law, we are also likely to see more constituent units (colleges, departments, and programs) establishing advisory boards to facilitate the units' own search for revenues. The growth of these unit boards will increase the difficulties that the central administration of each academic institution faces in trying to maintain academic and economic control over all of the institution's activities. As units increasingly search for contributions on their own, the potential for the types of financial abuses that have often been associated with fund-raising for big-time athletic programs increases (Zimbalist 1999).

The growing importance of donors to academic institutions is also likely to place more pressure on the institutions to respond to the preferences of donors, in terms of both setting the university's priorities and its operation. An extreme example of such pressures recently occurred when one major donor to Case Western Reserve University (CWRU) in Cleveland announced that until the institution's board of trustees was reorganized in a manner that he considered satisfactory, he would withhold all of his contributions from CWRU *and* from all of the other Cleveland area organizations to which he was a major donor. Given the overlapping board structure of these organizations, with important CWRU board members also serving on the boards of the other organizations, the donor believed that withholding his contributions from other Cleveland area organizations would lead those organizations to put pressure on CWRU to reform its board structure (Pulley 2002).<sup>3</sup> Such a form of secondary boycott, while legal because the donor was, after all, withholding his own voluntary contributions, raises serious ethical issues.

The growth of nonlegal legal influences that affect academia—statutory, consortia, and regulatory requirements—which Olivas discusses

are also likely to continue. Increasingly accreditation agencies are playing a more interventionist role and requiring institutions to develop strategic plans. Or to take another example, the NCAA certification reviews of Division I varsity athletic programs include gender and racial/ethnic equity as criteria, which puts added pressures on universities to carefully monitor their recruitment of athletes and coaches and their expenditures on various sports.

Equity was evaluated, for example, in the 1999 NCAA certification review of Cornell's varsity athletic programs in terms of the salaries paid to coaches of men's and women's teams, the gender and racial/ethnic representation of coaches, the gender and racial/ethnic makeup of varsity athletics, and the distribution of athletic funding between male and female teams. Although gender equity requirements are written into federal law, there is no such federal law for race/ethnic requirements (Ehrenberg 2000a, ch. 17).

At one point in the Cornell certification review process, in my role as chair of the internal review committee, I explained to a representative of the Ivy League, who was aiding us in preparing for our external certification review, that if the review criticized the university for having a smaller share of underrepresented minority groups among its varsity athletes than among its undergraduate student population, the university had a right to be upset. Cornell was proud that the proportion of its varsity athletes from underrepresented groups was *smaller* than the proportion of its undergraduate students from underrepresented groups, even if this made it seem like we weren't putting enough effort into attracting underrepresented minority athletes. Put simply, Cornell recruits underrepresented minority students primarily for academic, not athletic reasons, and the notion that an accrediting agency might penalize a university for doing so seemed quite silly.

Fortunately, Cornell was never penalized by the review committee for putting more effort into recruiting minority students for academic purposes than for intercollegiate sports. This example highlights the importance of the governance structure of an institution—the trustees, the central and college administrations, and the faculty—being fully aware of what the institution's core academic values are and being able to explicitly articulate them to external constituents. As the external pressures on academic institutions from all of the forces described here rise, and the difficulty of governing these institutions increases, the ability to do so is likely to become more and more important to the institutions' futures.