The central-decentral paradox

The University as a merging organisation

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1 Introduction

It was a pleasure to present this short paper at the Symposium 'Hochschulmanagement – neue Wege der Hochschulgovernance' on the occasion of the retirement of Prof. Dr. Dr. h. c. Wolfgang Weber from the University of Hamburg. The title and subject of this presentation was chosen at the specific request of Wolfgang Weber.

The central-decentral issue is indeed a paradox, although it is not always perceived as such by university management, which sometimes views the university as consisting of two disparate organisations: the organisation of the primary processes of research and teaching versus the organisation of the secondary or auxiliary processes, such as information provision, information and communication technology, administration or even management itself.

In this paper we will address this central-decentral issue by viewing the university as a permanently merging and integrating organisation, thereby making use of the existing strategic management literature on mergers, acquisitions, integration after a merger or an acquisition, reorganisations, etc. (Haspeslagh & Jemison 1991).

At present, universities are developing from the Humboldtian form of university towards new forms of themselves, such as e.g. the entrepreneurial university introduced by Clark (2001). Whatever type of university is being aspired to, the main driving force is to gain more autonomy and to create a clear position of competitive advantage vis à vis other universities nationwide or even worldwide, with the overall goal to arrive at a heterogeneous landscape of universities. This development then requires a

clear and articulated institutional strategy, as a corporation needs a corporate strategy. Indeed, the university can be seen as an institution or a sort of corporation with the faculties as divisions. A 'sort of' corporation, as not everything we know from corporate management is easily transferable to the university environment.

Such an institutional strategy will amongst other things comprise of a quality management strategy, as this is required for the accreditation of the university and its concomitant reputation that is so essential for a competitive advantage. This institutional strategy, and above all quality management, will result in new strategic positioning of the relevant actors both internal such as the positioning of the centre, i.e. the central management: the board or the presidency, the faculties and the different functions and services, be these line or staff, and external. Relevant functions are strategic functions such as strategic human resource management or financial strategy, while services can comprise of administration services or back office services supporting e.g. human resource management.

It is sometimes questioned whether a public organisation like a university can indeed develop an effective strategy, the argument to the contrary being that the environment being also a political environment is in tremendous flux. But if a strategy is being perceived as a flexible model to describe the environment from the viewpoint of the mission of an organisation such as a university, such a model or strategy is a necessity for the university to be able to position itself in this changing environment. It is as with the famous Gedankenexperiment of Sir Karl Popper when giving a student the assignment 'observe'. Either the student starts to list anything that there is to observe, which results in a never ending exercise or an indefinite regression, or the student replies with the question: 'what should I observe?', in this way asking for the model on which he is requested to describe the environment. A strategy functions as such a model and has as its primary task to describe the environment from the viewpoint of the mission, vision and goals of the organisation. It is precisely for this reason that a clear strategy is indispensable for any organisation, be this a private or a public one.

A most pertinent strategic issue for such an institutional strategy is the issue of central versus decentral organisation. This issue deals with the relation between centre and faculties or research institutions within the university, between primary and secondary processes, and determines to a large extent the management responsibilities and styles. The question is not

a black or white question of having either a central or a decentral organisa-
tion as it is often perceived, and leading to an almost ideological debate of
either central or decentral, but rather which shades of grey will comply
with the balance in strategic positioning of the different stakeholders that is
necessary to attain the institution's goals. A clear institutional strategy is
then needed to formulate these goals and is required to deal effectively
with the central-decentral paradox.

The central-decentral issue is always a hot topic in any organisation's
strategy, be this a private or a public organisation. For a multi-division en-
terprise this issue is about the relation between centre and divisions; for a
university it is primarily about the relation between centre and faculties.
Managers of public organisations are sometimes of the opinion that the
hierarchy in a commercial enterprise may lend itself to smoother solutions,
but this only shows that these managers are not very familiar with manage-
ment developments in commercial enterprises, and in particular in know-
ledge intensive organisations.

The rules of engagement are indeed very similar: both the centre and
faculties (or divisions) have to prove their added value for the organisation
as a whole. This results in a relation of mutual dependence or interdepend-
ence between these stakeholders with a clear quid pro quo while at the end
of the day it is the institutional (or corporate) identity or reputation that is
at stake. Like any competing organisation the university cannot allow itself
bad apples, neither in the centre nor in a faculty.

2   Integration in alliances, mergers and acquisitions

As stated in the introduction, we will take the viewpoint of the university
as a merging and integrating organisation. We do so as most universities
are in a transition from a Humboldtian type of organisation with very inde-
pendent faculties and a lean and mean management centre towards an or-
ganisation that needs to be more integrated as demanded amongst other
reasons by the necessary strategic repositioning to gain competitive advan-
tage. As we have noted above, centre and faculties are becoming more inter-
dependent under this strategic redirection. This requires a reorganisation of
the university in terms of a new strategic positioning of the stakeholders in

the university, and this reorganisation is a sort of integration with the goal to create value in terms of autonomy, institutional identity and competitive advantage. This is just as in a merger or acquisition where it is not sufficient to bring the two organisations under one roof, but where the real value creation results from an effective and efficient integration of the two organisations.

Integration strategies aim at creating value by making optimal use of the synergies that exist between two organisations. This means that integration is a strategic process and as such is very suitable to restructure industries, enterprises or other organisations like a complex organisation as a university. In fact, quite a number of merger or acquisition failures can be traced back to poor integration even if the acquisition were strategically well justified (Haspeslagh & Jemison 1991).

Following Haspleslagh & Jemison we can look at integration making use of two dimensions of strategic positioning: organisational autonomy and strategic interdependence. Organisational autonomy is then defined as self-governing in deciding about the value proposition and market segment of the organisational entity – for brevity we will use the word entity in the remainder of this short paper. Value proposition can be the specific research and teaching of either at the entire university level or at the faculty level and market segment can be the part of the research or wider community the entity wants to serve. Strategic interdependence is defined as the sharing of heterogeneously distributed strategic resources. Heterogeneous resources can be research instrumentation, in particular expensive equipment, e.g. a clean room or an accelerator, but can likewise be e.g. access to information technology or research information. The main point to note in this context is that it is not the desire to be autonomous or independent as most organisations would want that, but it is the necessity to compromise on autonomy and to become interdependent to a certain degree in order to attain the entity's strategic goals. By looking at the strategic positioning using these two dimensions we combine the outside-in view, i.e. viewing the organisation influenced by the environment, with the inside-out view, i.e. viewing the organisation as leveraging the environment on the basis of its competencies and unique resources.

Combining these two dimensions leads to a continuum of modes of integration as shown in figure 1, also showing four ideal (ideal in the Weberian sense) modes of integration: the holding for the combination of low ne-

cessities for both organisational autonomy and strategic interdependence, amalgamation or absorption for the combination of a low necessity for organisational autonomy with a high necessity for strategic interdependence, preservation for the combination of a high necessity for organisational autonomy with a low necessity for strategic interdependence, and finally symbiosis for the combination of both a high necessity for organisational autonomy and strategic interdependence. Each different type of integration requires a different management approach. These different management approaches will be discussed below, following Haspeslagh & Jemison (1991).

necessity for strategic interdependence (SI)		necessity for organisational autonomy	
		low	high
	low	holding	preservation
	high	amalgamation	symbiosis, intertwinement

Figure 1: modes of integration

The holding is well known and represents an organisation in which the centre is generally very lean. Management control style can be characterised as financial control, the entities are autonomous and are primarily managed by financial objectives.

Amalgamation or absorption is the type of integration that is used for mergers or acquisitions aiming to strengthen the domain in which the organisation is active. Integration management is characterised as determined, meaning that right from the start there is a clear blueprint for the con-

solidation of the new organisation, the new organisation is managed from the start as a whole, best practices from both sides are adopted and the original complementarity is strengthened. In terms of leadership there is a clear transfer of the affiliation. The original interface between the two organisations disappears quickly and this transition is smoothly managed. The added value being created is primarily in efficiency gains. Typical examples of mergers or acquisitions are e.g. mergers of airlines, supermarkets, electrical appliances companies, etc. Also, the acquisition of the German Democratic Republic by the Federal Republic of Germany was managed like an absorption, with all the consequences for the still existing divide between the two constituents. The management control style can more be characterised as strategic planning.

Preservation is aimed at domain exploration. The goal in such a merger or acquisition is clearly to learn and not to homogenise the two organisations. Thus the interface is being managed as gate keeping, keeping the two organisations separate except for well-controlled strategic interventions, and the unit is being supported in its original goals, meaning that the purpose is being confirmed both internally and externally, knowledge is being accumulated for learning purposes and the commitments of the unit are proactively defended. An example of such a preservation merger is e.g. the takeover of a nutrition company by an oil company in order to explore the bio industry, or the merger of two research institutes with the purpose of becoming involved in interdisciplinary research.

The most complex type of integration is the symbiosis. The aim here is domain expansion. Symbiotic integration starts as preservation followed by content and competence transfer. Both units are adjusted to each other, starting with operational transfers, gradually transforming into strategic transfers and leading to a long term amalgamation of the two units. This means that the purpose of both units is redefined. The interface between the two units is carefully managed, like regulating a membrane. Examples of such mergers or acquisitions are e.g. takeovers of databases by scientific publishers in making the transition to the digital era with its opportunities for integrated information products. In the latter two types, preservation and symbiosis, a strategic control style seems most appropriate as management control style.

It may be obvious that these modes of integration are ideal modes in the Weberian sense, implying that in real life a mixture of integration modes

can be used by applying a different type of integration to specific functions or entities within the overall organisation. The overall integration is then predominantly characterised as a specific ideal type.

3 The university as a permanently merging and integrating organisation

After this brief excursion into strategic management issues from the area of mergers and acquisitions we will now return to the topic at hand: the university, and will inspect if we can apply some of the above to the university in its struggle to become an autonomous and competitive organisation with a clear strategic focus in terms of its primary processes of research and teaching.

The strategic positioning model has been successfully applied by Kurek et al. (2007) to study the strategic positioning of the researcher, as individual, as research group or as research institute in the environment, be this the research environment proper or the wider societal environment; combining in this way the inside-out view with the outside-in view. This was new, as policy studies describing mode 1 and mode 2 such as by Gibbons (1999) or Ziman (1994) restrict themselves to the outside-in view in describing the influence of the societal environment on research. Combining the inside-out view with the outside-in view is required to allow strategy development on the part of the researcher. Applying the mode l of strategic positioning, Kurek et al (2007) were able to derive different modes of positioning for the researcher: mode 1 or the ivory tower and mode 2 or the strategic researcher, both also known from policy studies[*], as well as a new mode, mode 3: the research entrepreneur. And it is the research entrepreneur who is leveraging the environment by creating demand for his research products rather than supplying on the demand of the environment. Having applied this strategic positioning model to research and its positioning in the environment, we make in this paper an attempt to apply the model to the university, analysing the strategic positioning of its different entities.

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[*] However, by restricting to the outside-in view only mode 1 and mode 2 from these policy studies are different from the mode 1 and mode 2 from Kurek et al. Rather, the former modes are encapsulated in the latter modes.

Inspecting the modes of integration in figure 1, we are tempted to compare the Humboldtian university with the holding type. The centre is very lean, the rector being the *primus inter pares* of the faculty deans, and the terms of office of all managerial functions are extremely short, reducing in this way their managerial influence, in particular with respect to long term strategy. The rector and deans are elected for one or at most two years. In Germany the chancellor as head of the administration has a powerful position, being also in command of the budget and as liaison officer to the powerful ministry.

As we have seen above, the transition to a more autonomous and competitive organisation with a clear strategic focus requires a realignment or integration of the structures of the university, and in particular of the management structures. As we remarked above different integration strategies may be applicable for different integrations. This can also be the case in a university where different integration strategies may be needed for the integration of different entities, such as faculties, administration or line or staff departments. Figure 2 visualises the different alignment or integration paths that a university can take in departing from the Humboldtian structure.

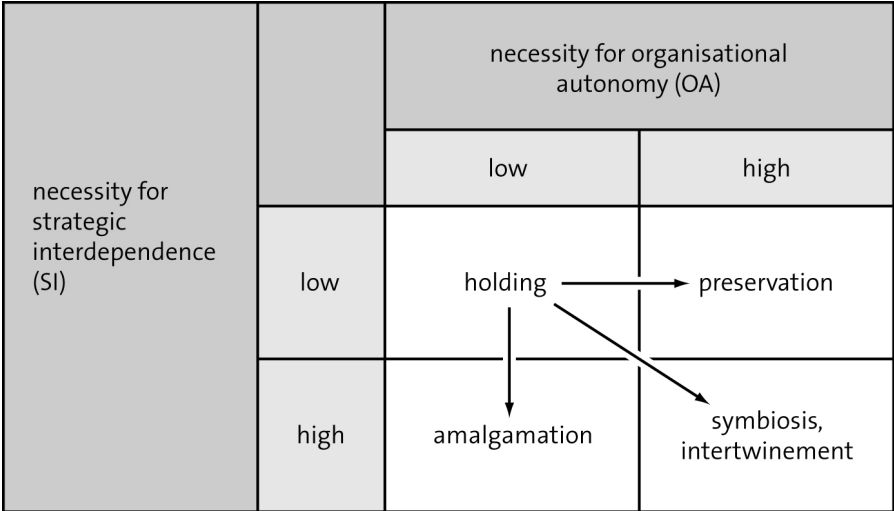| necessity for strategic interdependence (SI)		necessity for organisational autonomy (OA)	
		low	high
	low	holding ⟶	preservation
	high	amalgamation	symbiosis, intertwinement

Figure 2: integration paths

Depending on the mission, vision and strategic goals of the university as laid down in the institutional strategy, each university has to choose how to align the faculties and different departments as to create a clear institutional identity commensurate with the resources and competencies in research and teaching in which this university excels. There is clearly not one recipe that fits all universities. In particular, the inside-out element present in the model demands that each university creates an organisation fitting its unique resources and competencies and by doing so will distinguish itself from other universities, thereby creating a clear competitive advantage.

3.1   Primary processes

In this short paper, like in the presentation, we will restrict ourselves to giving just some examples as illustrations. An illustration could be to look at the organisation of the primary processes of research and teaching, each having their own different responsibilities, funding and cash flows and consequently their own accounting lines within the organisation. This calls for a managerial separation, albeit not for a separation in content. In particular at the master level a tight content relation between research and teaching is mandatory. One way to organise this managerial separation is to separate at the top, i.e. at the board or presidency level, in creating research institutes as separate from teaching schools. It may be remarked that in this way there need not be a one to one mapping between research institutes and teaching schools.

Starting from the fragmented research focuses now present at the university, this scheme allows for integration towards a limited number of new research focuses, possibly of an interdisciplinary or multidisciplinary nature if so desired, properly supported by a solid disciplinary basis. A condition is that researchers should to a certain extent be autonomous in setting research goals and directions within these research focuses.

This calls for an integration path starting with preservation and gradually moving into symbiosis.

In teaching and learning one could apply a somewhat different strategy. With respect to disciplinary bachelors, a preservation strategy seems the obvious choice; however for a broad bachelor spanning a number of disciplines a symbiosis strategy is more appealing. For masters, as they are strong-

ly related to the research strongholds of the university, a symbiosis strategy seems the appropriate choice.

3.2   Secondary processes

With respect to the secondary processes, an option is to distinguish between line functions and staff services. Line functions could either be located centrally or decentrally, depending on the location of the portfolio holder. The location of the portfolio holder may be determined as the location of the budget owner, being either the centre for university wide functions, such as strategic human resource management or strategic financial management, or as the location of a faculty, institute or school in case of again human resource or financial management, but now specific in terms of the chosen autonomy of this entity. This results in high necessities for both autonomy and at the same time interdependence and thus calls for a more symbiotic approach.

General supporting and adaptable functions, such as administration, personnel or financial or other types of administration need not be duplicated within the university and could therefore comfortably be organised in the centre, however with proper outsourcing arrangements with the decentral entities. In general, this would call for an amalgamation strategy.

3.3   University management

With respect to the management of the university we have observed complementary roles for the centre on the one hand, and the faculties, institutes and schools on the other. Budget responsibilities and authorities will be spread over these different stakeholders and will be the object of negotiation between these stakeholders. Decentral entities such as faculties, institutes and schools and strategic functions will need to have clear powers of directives commensurate with their strategic position in terms of autonomy and interdependence. This calls for a symbiotic relation between these stakeholders following the principle of a clear allocation of management portfolios. This means that the sharing of responsibilities between the centre and these other stakeholders as we know them from the Humboldtian university need be adjusted, the purpose of leadership needs redefin-

ing and the interfaces between these stakeholders should resemble flexible membranes rather than rigid iron curtains.

A number of aspects will play a role in this symbiotic relation between the centre and the other stakeholders. In deciding on its structure, the university should be led by the condition that this structure should allow the achievement of the university's strategic goals. If the university e.g. decides to have a strong centre, i.e. a more central structure, this centre has the task to decide on strategic decisions, actions, etc. and on how to position the entities within the university. Independent of the university's structure, university management should set a clear institutional strategy comprising a clear mission, vision and goals to communicate in order to be productive and competitive to all inside and outside stakeholders.

As stated above, university management requires the definition of stakeholders and issues to be addressed by them. This means that there must be a clear agreement and understanding of the relations to be established between the entities, and in alignment with the institutional strategy the activities to be performed by which entities. Management then involves establishing who will make which decisions, what will be the respective responsibilities, and which type of managerial control is most suitable for the organisation at hand.

In terms of a more concrete operationalisation we can envisage that the following aspects may be relevant for the relation between centre and faculties or research institutes: institutional strategy, acquisition of financial resources, investments, and budget. Within the faculties specifically an issue is the teaching programmes, capacities and teaching performance control. For the research institutes the following issues come to the fore: research programmes, funding and research performance control. On a lower level, in the relation between research directors and research groups issues can be research funding, research performance control and reporting lines. It should be understood that these examples cannot be exhaustive.

The overall administration apparatus supporting all these primary processes and comprising of routine management services could well be amalgamated at the centre, so as to provide an overall view and to avoid unnecessary duplication and costs, again with concomitant outsourcing arrangements with the decentral stakeholders.

As we stated, different universities will have different structural configurations. The main condition is that the chosen configuration is in line with the specific institutional strategy of the university.

4 Concluding remarks

This short paper has been given at the Symposium 'Hochschulmanagement – neue Wege der Hochschulgovernance' on the occasion of the retirement of Prof. Dr. Dr. h. c. Wolfgang Weber from the University of Hamburg. As stated in the introduction, the subject of the central-decentral paradox in university management was chosen at the specific request of Wolfgang Weber as this paradox is an issue that university managers are struggling with.

In this paper we have analysed management structures taken from the strategic management literature to see if solutions to the paradox might present themselves. The university is then seen as a continuously changing organisation, the starting point being a Humboldtian type structure. As the Humboldtian structure is a rather fragmented one, this then leads to the perspective of viewing the university as a continuously or permanently merging or integrating organisation. It therefore seems appropriate to look at the options strategic management knowledge on alliances, mergers and acquisitions can offer. This knowledge has already successfully been applied to analyse the strategic positioning of the researcher at various aggregation levels in the environment, narrow or broad. And indeed, if applied to the different entities of a university it allows and advises a number of different integration options, each requiring its own management approach and style.

The central-decentral divide or rather paradox has been seen to be a strategic issue in all organisations, be these public or private. It is and will remain a hot topic in strategic management and above all in university management. As the environment of the university changes, and it will continue to change, universities have to develop new strategies requiring in turn new central-decentral arrangements and integration strategies. The need to discern these changes and the knowledge of how to deal with them requires a clear and crisp institutional strategy on the part of the autonomous and highly competitive university, as a model to observe the environ-

ment and as guidance to arrive at a consistent allocation of central and de-central managerial responsibilities.

The strategic positioning model presented in this short paper provides an analytical instrument for a transparent strategic discussion between the stakeholders. The model needs to be operationalised for an individual organisation to allow the specific inside-out view for this particular university. In this sense, strategic management knowledge on alliances, mergers and acquisitions as expressed in the strategic positioning model can be helpful for university management.

Acknowledgements

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