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**A NEW LOGIC FOR ORGANIZING:
IMPLICATIONS FOR HIGHER EDUCATION**

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A New Logic for Organizing: Implications for Higher Education

The corporate landscape around the world has changed dramatically during the last decade. Major corporations, particularly in the United States, have gone through an unprecedented period of change. Particularly visible are the changes that have occurred in the largest U.S. corporations. Some of the most revered and respected corporations have fallen on hard times and have had to dramatically restructure. IBM, Sears, and General Motors for example, have decreased dramatically in size and have lost a considerable amount of market share. The problems with these three companies are particularly noticeable because historically they have been identified as being among the best managed corporations in the United States.

The problems of many large corporations raise interesting and challenging questions about how organizations should be managed in today's environment. One possibility certainly is that the problems of IBM, Sears, and General Motors are simply aberrations brought about by poor management, bad luck, or extraneous events that could not be anticipated and therefore do not indicate anything about how corporations should be managed. The alternative interpretation is that their problems, along with those of many other large U.S. corporations, indicate that fundamental change is needed in the way organizations are organized and managed in order to be effective. The premise of this paper is that the latter alternative is true. So many changes have occurred in the world during the last several decades, it is simply no longer possible to be effective in many businesses with traditional organizational structures and management approaches. Indeed, often it is those corporations that are best at the old management that are having the most trouble performing successfully in the new competitive environment which businesses face today. Their past success often makes it difficult for them to adapt and change in ways that will make them successful in a very different environment.

What is different about the environment in the 1990's? Perhaps the most significant difference is the nature of competition. Many businesses have become global, and as a result, success requires much higher levels of performance in three areas. Organizations need to improve

their performance with respect to the quality of goods and services they produce, the cost at which they produce them, and finally the speed with which they innovate and get new products and services to the market (Lawler, 1992). In situation after situation, organizations have been able to dramatically improve their products and services, not just in one of these performance areas, but in two, and sometimes in all three. Automobiles today, for example, are much more technologically advanced, come to market much more quickly, and have fewer defects than just a few years ago when American companies dominated the U.S. market. The computer industry has undergone a similar performance improvement. Computers come to the market in record lengths of time, are virtually defect free, and have a price performance ratio that tends to improve by 20-30% annually. As a result, IBM, which once was threatened with break-up by the government for anti-trust reasons, is struggling to hold itself together. It simply was caught unprepared for the dramatic changes in technology and the marketplace that it faced during the 1980's and early 1990's.

Much of the reason for the increased performance standards in business after business has to do with the globalization of the economy. Organizations that operate in different countries have different competitive advantages, and as a result often are able to enter the marketplace with products that are superior in a number of ways. Foreign competitors also may enter the marketplace with different management styles, and some of the success of these competitors is undoubtedly due to their use of these management approaches (Galbraith, Lawler, and Assoc., 1993). Simply stated, they organize work differently, deal with people differently, and in some cases, seem to perform better because they do. As long as U.S. companies competed only with companies with a similar management style, the importance of management and organization was not evident.

Several popular books chronicling studies have been instrumental in altering thinking and practice in American corporations. A book by William Ouchi, *Theory Z Management* (1981), provided an alternative model of management that was based in part on the Japanese approaches to organizing. This had an impact on the thinking of American Managers, at least in part, because of the obvious successes of some Japanese companies. The well known book by Peters and Waterman, *In Search of Excellence* (1982), in hindsight clearly was an oversimplified, and in some

cases made wrong statement about organizational effectiveness, but it did lay out a set of revised principles about how organizations should be managed that caused managers to begin to question their existing assumptions. The book was a multi-million copy sales sensation because it, perhaps more than any other book published during the 1980's, indicated that management and organization may be a critical determinant of organizational performance and a source of competitive advantage. It went on to suggest some new approaches to organizing, that could provide competitive advantage. More recent books by Peters have tended to reject some of the principles that he stated in the early 1980's, but have continued the theme of organizational change and the importance of new approaches to organizing (Peters, 1992) .

Corporation after corporation in the United States has looked at its approach to organizing in order to see whether competitive advantage can be gained from improvement. This has resulted in a number of management fads being popular and in an increasing number of organizations trying to change the way they manage (Lawler, Mohrman, and Ledford, 1992). The evidence of the success of these changes is at best, mixed. There are some notable positive examples like Xerox, Harley Davidson, and Motorola, but there are also many others that are struggling with the change process. Nevertheless, some new principles of organizing are gradually emerging from the research.

American higher education has not been dramatically affected by the new thinking about organization and management. There are undoubtedly a number of reasons for this, but perhaps the most important is that until recently it has not experienced the same need to change that has been present in corporations. At the present time many of the demands for performance improvement that were faced by corporations a decade ago exist in higher education. Lower funding from state governments, resistance to tuition increases on the part of parents and students, competition from "in-house" corporate professional education programs, and finally, a smaller student population to draw from have created a new environment. Institutions of higher education have to improve their product quality, costs, and ability to respond quickly to customer needs in order to be successful. In some respects, the performance problems of American corporations have directly led to the need for universities to improve their performance. The poor performance of U.S. corporations has directly led to them having less money to contribute to universities and to

their being more insistent on achieving a significant return for their investment in knowledge creation and education. Also, because of corporate performance problems federal, state, and local governments have been collecting less tax revenue, and therefore have had less money to support all types of education.

The question that remains to be answered is whether some of the new approaches to organizing and some of the new logic of organizing that is helping corporations such as Xerox and Motorola improve their performance in the face of global competition can be of help to universities and colleges. There is no simple, single answer to this very complex question. Some clearly are more relevant to the wide variety of institutions of higher education in the United States than are others. Answering the question is complicated by the fact that there is no finished or definitive picture of what management should look like in order to cope with the increasing performance demands which corporations face. The development of a new logic, or a new approach to organizing, is very much still underway. Just as Tom Peters has renounced some of his points in his 1982 book, *In Search of Excellence*, it is certain that in a few years, some of today's emerging principles about how corporations should be managed will be rejected. However, this should not stop us from looking at these principles and beginning to address the issue of whether some of them have relevance to the world of higher education. Thus, in the rest of the paper, we will take some of the major ideas that have emerged from the work on corporate restructuring and corporate transformations, and consider how applicable they are to the world of higher education.

Dynamic Learning Organization

The traditional organizational chart with its boxes, hierarchy, and commitment to fixed positions and job descriptions, in many ways symbolizes the stability which organizations have sought as a key to effectiveness. Indeed, major organizational changes in traditional organization rarely occur, because they are seen as tremendously complicated and difficult. They often involve the major dislocation of people and the rewriting and re-analysis of most of the jobs and relationships in an organization. Learning new working relationships and new jobs takes time, and

thus there is an efficiency loss when change occurs. Traditionally this has meant that organizations do not make frequent major changes.

The new logic of organizing is perhaps best captured by the term, "learning organization" (Senge, 1990). The assumptions here are very different from those of traditional organizing. They involve not only an emphasis on the need for organizations to change as the external environment changes, but the need for organizations to change as they learn how to do things better and as they learn more effective ways to interface with the external environment (Mohrman and Cummings, 1987).

It is hard to argue with the point that the external environment is changing much more rapidly than it has in the past, and as a result, organizations need to change more frequently in order to maintain their effectiveness and their interface with that external environment. Perhaps more subtle is the point that organizations need to change as they learn how to deliver their services and make their products better. In addition it is important that they change as new technology becomes available and they learn how to use it. Powerful new computer and communication technology for example make it possible to perform work and organize for it quite differently.

Because organizations today are often facing new environments and have available new tools that have never been encountered before, how to organize best cannot be found in a text book or in the history of the organization. Effective organizational models and principles are increasingly becoming a scarce commodity (Lawler, 1992). They must be found through the experience and learning of an organization. Indeed, those organizations that are the best at finding new approaches, often end up with a competitive advantage over those who cannot. How organizations learn, and how well they learn are of course critical to the effectiveness of any change that is attempted. Companies such as Toyota and 3M have maintained competitive ascendancy in their industries largely through highly effective approaches to learning and motivating (Pinchot, 1985; Womack, Jones, and Roos, 1990).

One way for organizations to learn is to adopt a scientific model with respect to learning. That is, they can experiment with new approaches, assess those experiments, and move forward with a dynamic learning approach to organizing. In the social science literature, this "action

research" approach has been discussed for a long time (Lawler and Assoc., 1985). Recently it has become increasingly popular with major organizations. They are realizing that they can in-fact experiment with new ways of organizing, learn from those, and move ahead to gain a competitive advantage. Through such learning processes, many organizations are gradually redesigning themselves in very fundamental ways.

Historically, universities and colleges have been the epitome of stable organizations. Department structures have existed for centuries, as have particular schools and colleges within larger university structures. Similarly, staff areas like the registrar's office and athletic department have had a tremendous amount of stability. This stability has tended to protect the traditional core competencies of universities and assure that they will have outstanding programs in traditional areas. It has also limited the ability of universities to respond to their external environment. Departmentalized university structures have difficulty generating the inter-disciplinary research required to address complex societal problems such as race relations, poverty, and complex socio-technical problems that require an intersection of technical and social sciences. Indeed, their stability is perhaps one of the major reasons why universities are increasingly looked upon as irrelevant to the events in today's society.

It may be time to abandon some of the conservative tendencies that institutions of higher education have when it comes to organization design. This is particularly true with respect to how to reorganize the non-teaching and research activities in which universities engage. Resource shortages cry out for the examination of more cost effective ways to deliver services. In the academic arena it also may be a good time for universities to experiment with new organizational forms that align them more with societal issues in a way that generates more support. The rest of this chapter will draw on some trends from the corporate world and address some of the kinds of organizational changes that universities and colleges might implement in order to be more effective. These possible directions will not be dealt with in detail here, nor will we attempt a definitive analysis of their appropriateness. At this point, the purpose is simply to raise the issue of universities being more dynamic and learning oriented in their approach to organizing, managing,

and delivering services by considering the possible applicability of various new organizational directions.

The Global Organization

U.S. corporations have been slower than those in many smaller countries to adapt to global markets. For decades they have tended to focus on the domestic market and to design products and services for that market (Porter, 1990). There are a number of reasons for this including the scope and size of the U.S. domestic market. By itself it was able to create and support such large corporations as AT&T, IBM, and General Motors, so there was little need to make a concerted thrust to enter global markets. This thinking has changed dramatically in the last decade for a wide variety of reasons. These include the increasing costs of developing products, greater competitiveness in domestic markets, and the need to compete with foreign competitors in their own markets so that they cannot cross subsidize their products, and gain a competitive advantage in the United States (Galbraith, Lawler, and Assoc., 1993).

The drive to create more global organizations has had a number of interesting impacts on the structure of organizations. Large corporations such as IBM and Hewlett-Packard have moved headquarters for certain businesses overseas. They have located not just production facilities, but product development facilities in other countries. There are a few companies such as Shell, DHL, and ABB, which have essentially become stateless corporations so that they can operate easily and comfortably without a strong national identity. This gives them the ability to avoid the image and entanglements that are associated with being primarily an American company, a French company, or a Japanese company.

Higher education has always been very much of a domestic market oriented activity. There are a number of reasons for this, including the fact that the funding for public universities comes from local governments and the fact that research funding often comes from the federal government. Nevertheless, American institutions of higher education have developed as major positive contributors to the balance of payments of the United States because of the number of foreign students studying in the United States.

Each year a new high in the number of foreign students studying the United States is reached. Over four hundred thousand studied in the United States during 1992. Most of these students used funds from non-U.S. sources to pay for their tuition. A number of American universities have developed working relationships with foreign universities to allow students to spend semesters there, and some universities even have small campuses in other countries. There is, however, no American university that has truly developed into a global university which operates campuses and facilities with ease around the globe. They do not have the ability to move functions and programs to those parts of the world where particular expertise is found and where a particular type of education can be best delivered. They tend to offer a standard educational product even in overseas programs, rather than tailoring to the local market.

Many American universities have only begun to market their traditional education to students around the world. This would seem to be an obvious first step for many American institutions of higher education. There is a dramatic shortage of higher education services in third world countries and countries in Eastern Europe. In some cases, students in these countries lack the currency to purchase a U.S. education, but in others, with government subsidies, students can pay for an American higher education. This could go a long way to solving the revenue problems of American universities, and at the same time upgrade the quality of students studying in American universities. In some technical education areas this is already a reality, but universities could be much more global in the marketing of all their programs.

It is not clear that there is a need for universities to develop the kind of stateless global orientation that is characteristic of Shell and ABB. However, as the world gets better linked by information technology, there may be the opportunity to develop global models of higher education. This could involve the teaching of particular disciplines and topics by individuals that have unique expertise regardless of where they are around the globe. It also could involve a much more active linking of universities in different parts of the world so that students can gain knowledge and expertise from a "world's leading expert", regardless of the university in which they enroll and the geography in which they study. To use a currently popular term in the business world it could create a "virtual university."

Overall, the world would appear to be becoming increasingly open to the possibility of American universities playing a new and much greater role in global education and events. Higher education is clearly an area where the U.S. has a competitive advantage and where universities have the opportunity to help global development by providing services to less developed parts of the world, and at the same time to help themselves by identifying new sources of revenue and customers.

Small is Beautiful

The most admired corporations in the United States have been among the largest. IBM, Sears, General Motors, AT&T, and Exxon are not only among the largest corporations in the United States, they are among the largest corporations in the world. Such terms as "economies of scale" have often lead to the conclusion that being big is not only desirable, it provides a strong competitive advantage. Size often does allow for better access to capital, the support of extensive research and development labs, purchasing products and services at favorable prices, and finally, a way of accessing global markets. It is increasingly becoming apparent, however, that the advantages of size have been overstated in many businesses. Many of the biggest corporations are the ones that are experiencing severe performance problems. In some cases, size has become more of a liability than an asset because it has made corporations inflexible, difficult to change, and has created workforces that are not involved in the business and tend not to care about the business (Lawler, 1992). There is a great deal of research in the organizational literature which shows that size has its dysfunctions in terms of involvement, satisfaction, and motivation. Historically, these were thought of as solvable problems that were not severe handicaps, particularly when compared to the advantages of large size.

To improve their effectiveness, such organizations as General Electric and IBM have had to downsize and dramatically change their approach to being large. This is particularly ironic in the case of IBM and General Motors because both of them were, at one point, seen by the U.S. government as being so big as to preclude others from competing effectively with them. Today we find them downsizing and restructuring so that they can be competitive with smaller organizations.

In essence, in order to be effective, they are doing to themselves what the justice department tried to do to them several decades ago in order to make them less effective. At this point, the question may legitimately be asked, "What is going on here?".

Obviously the world has changed. What used to lead to effectiveness, does not necessarily lead to effectiveness in today's environment. Sheer size, particularly when poorly organized, is not an advantage, but a distinct disadvantage. The right answer in many industries seems to be, to be simultaneously small and large. In some businesses, there clearly are many advantages associated with size. It pays to be big when dealing in a global market, when raising capital, when supporting a research and development lab, and when developing an expensive new product. It does not pay to be big when it comes to exercising control, coordinating performance, motivating employees, getting individuals involved in the business, and making customers feel that they are an important focus of the organization's attention and efforts. There is no single way for organizations and companies to be simultaneously small and large, but in general, this can be accomplished by breaking companies down into small, relatively decentralized units that face particular customers or deliver particular products. These units, in order to be effective, need to have their own financial accountability, financial information systems, and reward systems (Mills, 1991).

In comparison to large corporations, universities tend to be relatively small. For example, they do not have over a quarter of a million employees as do General Electric, General Motors, and a number of other large U.S. corporations. Nonetheless, even smaller organizations can benefit from creating smaller units that are autonomous in some respects and that operate within organization-wide systems in other respects.

There are some lessons about size that may be applicable to universities. In many respects, these lessons are apparent in the history of universities themselves. The most prestigious institutions of higher education are those that have created small units within larger institutional settings. Examples include the college system at Oxford and Cambridge and graduate colleges within institutions such as Harvard and Yale. This gives them the advantages of size such as central libraries and access to services, while giving the customer the experience of being part of a smaller learning community.

Overall it seems safe to conclude that excessive size is not a major issue which confronts American higher education. Generally, American institutions of higher education have avoided creating large multi-hundred-thousand person organizations with centralized functions and controls that try to manage and control the behavior of disparate units. Perhaps the one exception here is the large state university and college systems. The message to them from the private sector is clear, "avoid creating a central bureaucracy; put decision making and accountability at the campus level and below."

Product/Customer Focus

Although in general excessive size is not a problem confronting higher education, the principle of being large while acting small has definite applicability in universities because of the changing environment to which they need to respond. Particularly critical is how a university structures itself in order to be small and to create customer responsive units. As the organizations and the environment universities serve change because of the pressures they confront, they develop new needs for knowledge creation, education, and professional training services. Corporations, public schools, and health care institutions, for example, are beginning to need inter-disciplinary solutions and educational offerings to address complex issues. They also require new ways of relating to universities to address the life-long educational needs of their employees. In order to respond effectively, Universities need to generate more varied modes of knowledge creation and delivery--in essence, to develop new products. Traditional practices and organization structures may no longer apply as units begin to look and act quite differently in order to adapt to the new environment in which they must secure funds and customers for their research and educational functions.

The traditional logic of organization calls for creating organizations that are divided into functional specialties. Sales, marketing, production, accounting, personnel, etc., are among the many staff and line departments that typically exist. These units carry out various steps in the process of creating a product or servicing a customer. They typically are controlled in part through a budget which is hierarchically negotiated. The advantages of a functional organization are many,

and particularly include the ability to have high levels of expertise in each of the functions. Specialists in sales, marketing, manufacturing, etc., are developed and the expectation is that corporations will excel because they are excellent in the various functions that are needed to do business.

The problems with this approach to organizing have become increasingly apparent as competition is increasingly based on speed and quality. Speed in particular tends to suffer in functional organization because products and services have to be passed from one function to another in order to be developed and dealt with, and this always takes time. In addition, customers and products may be dealt with poorly in the hand-off process between one function and another. Finally, functional organizations require extensive amounts of hierarchy in order to coordinate their actions. This often raises the costs because hierarchical controls and individuals are expensive to develop and manage, and it slows down performance because decisions that involve multiple functions often are made high in the hierarchy after going through multiple levels of the organization.

A number of large organizations are moving away from the functional approach to organizations which are much more product or customer focused. This is one of the ways they operate simultaneously as small and large organizations. When it comes to developing a product or servicing a customer, they are small because a small group of cross functionally trained and skilled employees deals with the customer or develops a product or service that is to be delivered. Among the companies that have moved to smaller, relatively autonomous units that are highly focused on one particular product or market segment are Xerox, Motorola, and Hewlett-Packard.

Many institutions of higher education have always been partly organized around customers and products. Business schools, law schools, and medical schools are clear examples of this. There may be room to further apply this approach to organizing in order to give more focus and accountability to the activities of both the faculty and staff. More specially focused units like these schools could be created and more autonomy could be given to these schools. In particular, units could be created that are profit centers with accountability for and control over costs and revenues. Budgeting systems that provide flexibility and reward entrepreneurial behavior will be key to their

success. In addition, units may need to be freed up from the uniform practices that constrain the way they organize to meet the requirements of the broader societal network of individuals and organizations that are their customers and provide the resources they need for survival.

Traditional functional bureaucracies often dominate in the administration and staff support service areas of higher education. Budgeting, financial services, contract administration, maintenance, student services, etc. tend to be functionally centralized and not focused on particular customers. There is the possibility here for more of a focus on the customer and tying the centralized services more to the units that they need to satisfy and serve. As will be discussed later, there are a number of ways to do this including treating many central services as businesses that have to earn their revenue and satisfy customers.

Meeting Customer Requirements

The logic of traditional bureaucracy calls for job descriptions and the evaluation of individuals against the details of the job description. In the stable world of the bureaucratic organization, with good top-down coordination of effort, it is easy to see that this model makes sense. Indeed if the organization is well designed and all employees perform their jobs well, it is likely that the organization will be effective. Problems occur, however, when the environment is dynamic and there is a need to focus on the changing needs of the customer. These conditions require that organizations focus their performance on meeting customer requirements or expectations. Undoubtedly, the strongest influence in moving organizations toward this approach has been the Total Quality Management movement (Deming, 1986; Juran, 1989). It has correctly pointed out that the key issue is not meeting job requirements, but meeting customer requirements, because it is the customers that provide the revenue, and the customers who need to be satisfied by the services or products.

The Total Quality movement goes even further and emphasizes that there are both internal customers and external customers. Not everyone has an external customer, but most people have internal customers. This has led corporations such as Xerox, Motorola, and Federal Express to do extensive evaluation of internal and external customer satisfaction and to hold employees

accountable for the results of these customer satisfaction measurement programs (Schmidt and Finigan, 1992). This has the obvious advantage of focusing employees on results which are directly related to their activities and which are often more meaningful than simply meeting the objectives in the job description.

A number of colleges and universities have begun to apply Total Quality principles, often with support and encouragement from the private sector (QPM, 1993). Many institutions of higher education have made small steps toward identifying customer requirements and implementing customer satisfaction measures. Typically, students are asked to evaluate their satisfaction with particular courses and faculty members. In some schools the results of these evaluations play a significant role in determining promotions and pay increases. Students should also be asked to evaluate the overall university experience--the advisement services they receive, the housing that is offered, the food services that are delivered, the registrar's office, and the total experience that they have. This is a much needed and logical extension of the whole idea of focusing on customers and customer satisfaction. In addition, universities could focus more on internal customer satisfaction also by asking students, faculty, and others how well they are served by such specialty groups as building services and the library. The critical issue with all of these services should be how well they meet customer requirements.

An important part of applying Total Quality ideas to higher education is the significant transition to seeing students as customers who receive a variety of services, not just classes from the university, and the need for the university to be sure they are satisfied with the quality and nature of these services. Another aspect of expanding the focus of universities on meeting customer requirements could be to focus on customers beyond students. Organizations that ultimately hire graduates and those that rely on the knowledge produced in universities are key customers and provide some of the resources necessary to university survival. Their satisfaction could be regularly and systematically measured, and their requirements ascertained.

Organizing into Teams

Inherent in the traditional approach to organizing is the idea of individual job descriptions and individual accountability. This is fast giving way to extensive use of teams that are collectively responsible for delivering services or creating and manufacturing products (Lawler, Mohrman, and Ledford, 1992; Mohrman, 1993). There are a wide variety of reasons for this, including the recognition that in today's complex business world, individuals cannot do a great deal because of the complexity of products and services. It takes the coordinated effort of a number of individuals to do virtually anything for which accountability and identity can be established. Traditionally the interdependence among individuals has been dealt with by extensive, often expensive hierarchical coordination devices. One potential advantage of teams is that they can handle some of these coordination issues themselves, without the reliance on hierarchy and its associated costs and slowness. Companies such as Hewlett-Packard and Motorola routinely develop their new products by using cross-functional teams. Similarly, insurance companies such as Aid Association for Lutherans and IDS handle the servicing of their existing customers with teams that are focused on particular customer segments.

Institutions of higher education generally have not used teams. Two exceptions are the occasional use of team teaching and the use of teams to do research. There would seem to be tremendous potential for much greater use of teams in higher education. This is true on the faculty side for teaching and research and it is certainly true in the staff support areas. Many of the staff areas are the equivalent of such service organizations as IDS and SAS Airlines which already extensively use teams. They have decentralized control and financial accountability to particular teams so that they can be held responsible for their cost performance as well as their delivery of services. Potentially, the same thing could be done in institutions of higher education with the creation of service delivery teams that are focused on particular groups of students and particular internal customers. Of course, to make this work, those teams have to have measures of their effectiveness and their costs. In addition, budgeting systems must be flexible enough to permit locally developed innovations that result in efficient and effective service delivery.

Doing Only What You Can Do Best

The traditional approach to organizing has been to create organizations which are vertically, and in many cases horizontally, integrated. The automobile industry has been a classic example of this logic. Historically, some auto manufacturers made their own steel and glass and transformed these raw materials into a finished product and sold the product through their own dealer network. In other words, they are highly vertically integrated, doing all aspects of manufacturing a product. They are also horizontally integrated in the sense that they have within their organization all the necessary staff functions and support services that are needed to create an effective organization. The logic supporting this approach is rather straight forward and has led to the bureaucratic organizations that exist today. In essence, the assumption has been that a large, well-run organization like IBM, Ford, or General Motors, can do virtually anything better than anyone else, so why trust others to do it? In addition, it is assumed that if there is a profit to be made on producing a particular part, or providing a particular service, why shouldn't the large organization make that profit? Contracting with someone else to do it means that the other organization will gain a profit that should have been retained.

The problems with trying to do everything are becoming increasingly apparent to most corporations. The simple fact of the matter is that in a complex environment the performance demands in all areas are constantly going up, and the expertise needed to do things well is constantly increasing. Thus, it is hard for any corporation, regardless of its resources, to be good at a variety of things. At the extreme, this has led to networked organizations in which a variety of organizations do just one aspect of what it takes to develop a product or deliver a service (Miles and Snow, 1986). They form a network with other organizations who are very good at other aspects. The network is generally held together by an organization that performs the key integration function that differentiates the product or service in its market environment.

A good example of a network organization is Nike. It does no shoe manufacturing because it does not feel it can do as good a job of this as someone who is specialized in manufacturing. It simply designs, advertises, and markets products. This has allowed Nike to become an extremely successful corporation with an enormous amount of revenue despite a relatively small employee

population. Nike's success depends on it being able to orchestrate a network of suppliers and distribution channels in a way that assures the success of all network members.

Similar thinking has caused many organizations to out-source some traditional support services. For example, organizations are increasingly out-sourcing their data processing and their legal services. The decision to outsource is generally made after an analysis that attributes costs to particular activities involved in producing the product or service and adopting a customer orientation perspective which emphasizes how well different pieces of the organization are serving other parts of the organization. This internal Perastroika approach to accountability opens the possibility for external competitors to bid on things like information processing, maintenance, personnel and other staff support services and for the organization to use costs and service as the criteria for the "make or buy" decision. A good cost accounting system is critical to giving the universities a good sense of what it costs to buy a service in the open market versus what costs are associated with having an internal group deliver it.

Institutions of higher education would appear to be fertile grounds for the idea of out-sourcing support services. It seems unlikely that universities will ever be particularly good at running many of the staff and other support services that are needed to keep a large campus operating. Most large campuses are small cities that require legal services, police protection, maintenance, trash disposal, and a host of other support activities. It is hard to imagine that universities can run and deliver these services as well as firms which are specialized in these activities. At the very least, it would seem that universities should put many support services out for competitive bid and price them against their existing internal monopolies. This could go a long way toward creating a greater customer and cost focus for the internal monopolies if they survive.

It is interesting to speculate about whether universities should also look at more of a network approach with respect to offering certain kinds of educational activities. One argument is that most colleges and universities cannot offer a full range of courses and programs at a world-class level. This point has become particularly clear as higher and higher levels of knowledge have developed in most disciplines, and as the cost of maintaining excellence in particular disciplines has escalated with the price of such resources as laboratories and support facilities. One alternative that

has been used by some universities is to specialize in a few areas and target students interested only in that area. An alternative model is to try to form alliances that combine the strengths of one institution with those of another so that students do not have to make premature choices as to which kind of education they want. This can save schools money by narrowing their offerings and letting them specialize in particular industries, functions, or other areas in which they are excellent.

The importance of alliances was stressed in a recent Wall Street Journal article by Dean Rosenblum of Virginia's Business School. According to him, "collaborations and alliances are going to be a way of life. No school, however successful and well financed can do everything alone anymore". The article goes on to point out that new innovative MBA programs are being developed in which students split time between different universities that have different expertises. In the business school world, this would seem to be particularly appropriate for students who are interested in international management and where alliances can be formed across national boundaries. Business schools can use alliances and new relationships as a way of going global. They can combine their best areas of expertise to offer joint programs in international markets where alone they may have trouble mounting the necessary expertise and resources.

Overall, many universities and colleges may have to make critical choices about what particular kinds of competencies they want to maintain and develop (Prahalad and Hamel, 1990). As resources become tighter, and the cost of maintaining competencies goes up, hard choices will have to be made. This does not necessarily have to mean that students will be limited in the type of education they can get at a particular institution. Indeed, if new organization models are adopted, educational choice and quality can potentially both rise.

Control through Involvement

The traditional hierarchical approach to organizing assumes that control comes largely from hierarchical authority. This is played out through supervisor-subordinate reporting relationships, job descriptions, and reward systems that are tied to the effectiveness of individuals as measured against their job descriptions. Clearly this approach has a number of advantages and still is the most appropriate approach in a variety of work environments. It tends to have significant problems

however when performance needs to simultaneously emphasize low cost, high quality, and speed. It also has difficulties when teamwork is required. Decision making processes tend to be slow because of the need for hierarchical clearances, costs tend to be high because of the cost of control, and quality is often lost because the individuals actually doing the work or delivering the service are disassociated from the customer or not involved in the production of the total product (Lawler, 1992).

An alternative to the command and control approach is the high involvement approach (Lawler, Mohrman and Ledford, 1992). There is considerable evidence that many corporations are increasingly moving to a high involvement approach. Basically, it emphasizes moving information, knowledge, power, and rewards to the lowest level of the organization. In the typical example, small groups, teams, or business units are given financial resources, the knowledge and power to make a particular product, or serve a particular customer group. They are then rewarded based on how well they perform in satisfying their customer group or producing their product. Companies at the forefront of adopting this approach include Union Pacific, Xerox, ABB, and a host of other organizations that need to increase their performance in the face of difficult competitive environments. It is beyond the scope of this chapter to go into all the details of how a more involvement oriented approach to management can be implemented and where it works particularly well. In many respects it is consistent with many of the new organizational approaches which have already been discussed. It requires, for example, creating small units, focusing on products, or services focusing on customer requirements, and adopting a dynamic or learning approach to organizing. It is also quite consistent with the idea of out-sourcing many products and services and creating a world in which internal providers of services have to compete with external providers of the same services.

Institutions of higher education are an interesting combination of traditional hierarchical management and a certain kind of involvement. Traditionally, faculty have had a considerable say in organization policy formation and high amounts of autonomy. They have had a tremendous amount of say in how they do their work and they have had great access to learning opportunities with respect to their discipline and their subjects of expertise. In a sense, they have operated as if

they were part of a high involvement organization. What has been missing, however, are systems that hold faculty accountable for performance. As a result of tenure and other reward system practices, they have not had to focus on customer satisfaction and have not had to compete against outside vendors in terms of the quality of their services. Overall, the major needed changes in order to move faculty to a high involvement organization are in the areas of influence on decisions with respect to budgeting and greater reward system accountability for the effectiveness of their programs and courses.

The situation in most institutions of higher education for non-faculty employees is quite different than the one that exists for faculty. Increasingly they are unionized and are clearly managed in a traditional hierarchical command and control approach. They are usually highly specialized by job functions and are not focused on customers and products in a way that would allow them to be involved in broader aspects of delivering services and controlling the way work is done. As has been suggested throughout this chapter, the possibility exists for them to be organized and managed in a much different way, just as many profit making organizations are being reorganized and redesigned. They can be organized into teams that have considerable control over how they will deliver services and these teams could be held accountable for their financial performance. They can be rewarded in terms of their cost effectiveness and the quality of their services. This can be facilitated by actively using the external competitors which are available to compete with the many internal monopolies which currently operate.

In short, relatively self managing internal businesses can be created if universities were willing to realign how they handle information, knowledge, power, and rewards. This could result in employees being much more involved in their work area, in their units, and having considerably greater power to influence how work is done. If successful, this movement to employee involvement could lead to not only cheaper services, but less hierarchy and ultimately, fewer control problems in the organization.

Opportunities for Higher Education

There appears to be little doubt that the world of higher education will undergo demands for continuous change and continuous improvement. Customers are demanding better service in all areas and universities are unlikely to be immune from this pressure. In addition, the funding basis of many universities is becoming increasingly demanding. The federal government is demanding better return on its research dollar, tuition paying parents and students are asking for lower costs and higher quality, and of course, state legislatures are concerned about the costs of higher education. Just as the private sector has responded to similar pressures from its customers and supporters, universities need to look at the way they organize as a possible response to new competitive environments.

Many of the same organizational changes that have been adopted in the corporate world are appropriate to higher education. Adopting a dynamic learning approach, being simultaneously small and large, focusing more on customers and customer requirements, out-sourcing more services while concentrating on what the institution does best, and finally, getting all employees more involved in the business of the university are concepts that seem to be broadly applicable. How they are applied in a particular situation needs to reflect the realities of the local environment and the strategy of particular institutions. Moving to them may in fact provide some institutions of higher education with the same kind of competitive advantage that effective adopters in the corporate world have gained. Of course it is impossible to lay out a precise template of what specific organizations should adopt from this array of new organizing principles. Each institution needs to decide how it wants to face its environment and which approaches fit its particular strategy. The challenge for institutions of higher education therefore, is to develop an approach to organizing which positions them well in the increasingly competitive environment which lies ahead.

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