

Governance of Economics Departments

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August 26, 2014

1 Background

Academic economic departments in the best universities around the world traditionally have governance structures that are at odds with modern management structures. A collegiate government style where chairs for a limited time put most of their normal core activities (i.e. research, teaching and other academic endeavours) aside to serve the department has traditionally been used. One can define the collective model of governance as follows.

Definition 1 *The **collective model**: Department chairs are active senior academics, who for a certain amount of time serve as a department chair. Moreover, the expectation is that turns are taken and that senior academics “take one for the team” at least once in their career. Recruitment is internal and after the time as Chair the academic is expected to resume with research and teaching. The term is typically relatively short (up to three years.) Decision making is at least to some extent democratic and a leadership group in the department is helping to shoulder the administrative burden.*¹

it is possible to contrast this traditional governance style with one adapted for academia from the structures of large private corporations. We call this the managerial model of governance.

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¹This definition was actually used in the empirical part of the paper.

Definition 2 *The managerial model: An administration minded academic is taking over the role of chair. The leader's motivation is not to perform a duty for the department. The chairperson sees himself as part of the university management and has a vision for a department. External recruitment takes place if no suitable person is found internally. The decision power is concentrated with the leader. In return the leader performs a large amount of administrative duties in order to allow the other academics to get on with research and teaching. The chairperson is expected to serve in the role for an extended time and is not expected to return to research and teaching. The chairperson is likely to move to a higher leadership position if the opportunity presents itself.*²

The two models are extreme cases of observed government styles located on a continuum between collective and managerial leadership. There is a suspicion that in the recent two decades on average a move along the continuum from the collective towards the managerial model has taken place.³ It might be argued that this is a natural co-movement with the commercialisation of tertiary education in a variety of countries such as Australia, the United Kingdom, Canada and the emergence of new high-class institutions in some Asian countries (i.e. Singapore, Hong Kong, Malaysia and recently also in China) where the historical root of collective leadership in academia is absent. It is unclear however, if a more managerial approach to running economics departments has actually been on the rise, or if this suspicion is misplaced. Also, it is not clear whether such a potential move has to be seen a positive or negative for the quality of economics departments both on the research and on the teaching dimension. Arguments for managerial models to be more efficient can be made. However, there are also arguments for collective models working better.

In what follows, we will present the results from a very crude but instructive questionnaire study, where we asked the department chairs of 100 diverse economics departments, which governance style they believe is most helpful for achieving the goal of being a top-class economics department in research and teaching? Moreover, we asked the heads about the current governance model of their department. The result will provide a snapshot of how economic departments are run currently and how the people running

²This is the definition used for the archetypical managerial model in our questionnaire.

³This suspicion is quite strong among academics in Oceania, where the author is located, and in Europe, but clearly less strong in the US.

them think they should be run. This note does not attempt to provide any normative analysis.

2 Questionnaire and results

We asked the department chairs of the 100 top-ranked economics departments (QS ranking, 2013) to indicate what the governance style of their department looks like and what they believe would be the best governance style for a good research and teaching department.⁴ Respondents could choose from a 5-step Likert scale, where the extremes were defined as the collective model and the managerial model defined above. The two extremes were described to the department chairs using the wording given in the Background Section. The wording was developed with the help of John Siegfried, who has got more than forty years experience and has served in multiple leadership positions in the American Economic Association.

Figure 1 depicts the frequencies (size of the circles) of answers to the two questions on the current governance style and the best governance style. We find that about 80 percent of respondents report that their own governance style is collegiate (50%) or rather collegiate (29.6%). A collective governance style is also seen to be best by the majority of department chairs (68.2%; 45.5% collective and 22.7% rather collective). The raw average and median answers are 1.84 (median 1) for the current style and 2.02 (median 2) for the best style. Recall that the value of 1 represents “collective,” while a value of 2 stands for “rather collective.” Moreover, only 13.5% reported a current governance style that broadly agreed with a managerial approach (managerial or rather managerial). Similarly, only 13.5% of chairs broadly agreed with a managerial style being the better alternative.

Result 1 *Both the current governance structure and the governance structure recommended by current chairs as most conducive to good research and teaching are strongly collective.*

A simple ordinary least squares regression reveals that there is a correlation between the ranking of a department and the current leadership style

⁴Note that the QS ranking of the 100 Top departments favours good departments in regions with few good departments. In the Top 100 are less department from the US than we would normally expect but more from Latin America, Australasia and Asia than expected. We chose this ranking as we intended to have some regional variation.

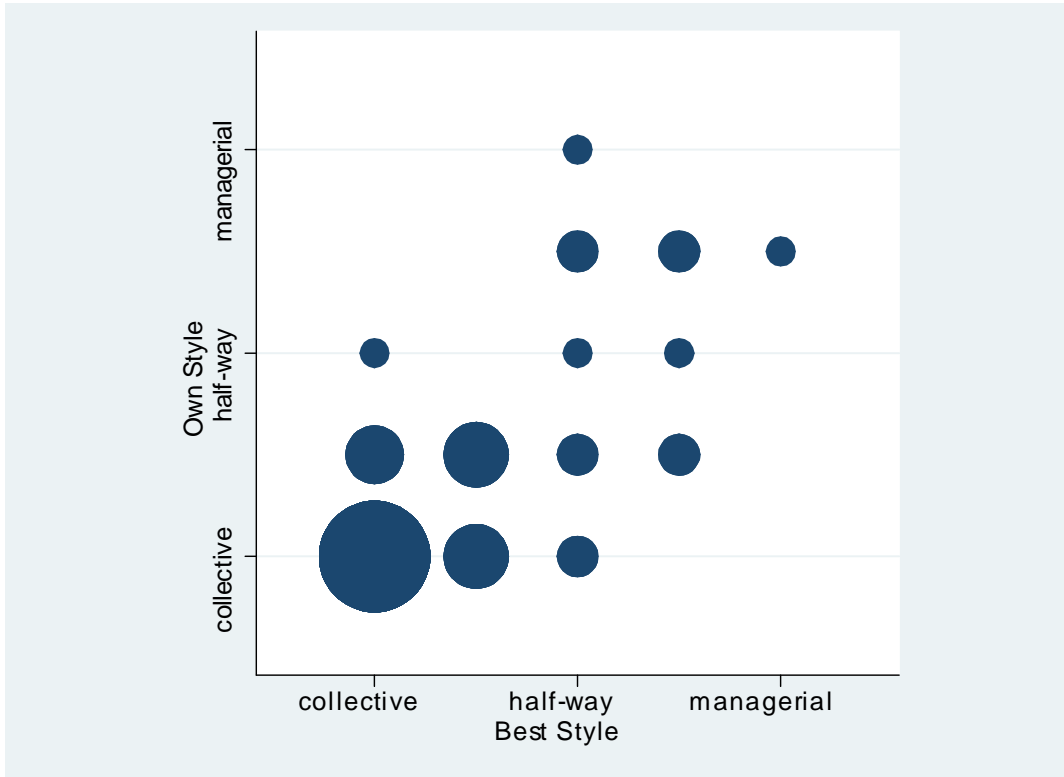


Figure 1: Responses to the two questions

are correlated controlling for region and size of a department. The higher a department is ranked the more the leadership style moves towards the collective model.⁵ We observe the same relation between rank and the governance style that was deemed by the Chair as best suited for a top research and teaching department. While the ranking differences between the top 50 institutions do not have an influence on the actually employed and preferred government styles, being a member of the top 50 or not makes a significant difference. In a regression controlling for department size (measured as the number of tenured or tenure track faculty members) and region belonging to the top 50 institutions (as compared to the institutions ranked 51 to 100) on average reduces the score for the own department on the five-step collective

⁵Clearly, we do not want to hint at any causation or even reverse-causation. This is pure correlation. An ordered probit regression taking into account the ordinal scale of our data leads to the same result.

vs. managerial scale by 1.04 points towards the collective end.⁶ We observe a similar relationship for the best governance form as judged by the chairs. Here the regression predicts a significant difference of 1.03 between the institutions in the top 50 and those outside, where the chairs of the better ranked departments judged more in favour of collective governance structures.⁷

Result 2 *Top 50 department are led more collectively than those ranked 51 to 100. The chairs of top 50 institutions also report a more collective governance style to be optimal compared to their counterparts.*

The region, where an economics department is located has some impact on both the actually reported governance structure and the governance structure preferred by the chairs. This is the case after controlling for rank and size, which suggests that the underlying reason is history and culture. Looking at the current governance system, schools in the US and Canada are run significantly more collectively than all others except continental European and Oceanian schools. Note that this is the case even after controlling for the ranking of a department. However, the differences are modest. Only when comparing the USA and Canada to Asia, the difference becomes sizeable (i.e. 1.53 points). Interestingly, chairs in Asia believe more than chairs anywhere else that economics departments should be run more managerially. Controlling again for school ranking and size, the difference is large (2.87 points higher than Oceania, 2.46 points higher than USA and Canada).⁸

Result 3 *Asian departments are governed by a more managerial style than departments in Oceania, in USA and Canada, in continental Europe and in the U.K. and Ireland. Asian department heads also judge the managerial style to be better, while the opposite is true for chairs in the other regions.*

The size of the department as expected does have an influence on how a department is run. Larger departments are run more managerial. The effect is very small though. After controlling for the ranking and the region a department is in, the average score increases only by 0.1 of a point if one

⁶The average raw scores are 1.35 (s.d. 0.57) for top 50 and 2.36 (s.d. 1.29) for top 50 to 100 institutions for the scale of 1 to 5.

⁷The average raw scores are 1.5 (s.d. 0.86) for top 50 and 2.54 (s.d. 1.18) for top 50 to 100 institutions for the scale of 1 to 5.

⁸With a raw average score of 4.00 Asia is the only region where chairs recommend a governance style closer to the managerial model than to the collective model.

adds 10 staff members. The effect of the size on the preferred governance style is even weaker and not statistically significant on even the 10 percent level.

Result 4 *There is a weakly significant but very small impact of the size of a department indicating that larger governance are governed more managerially.*

Finally, it is instructive to see if there is a systematic way of how the chairs' expressed optimal governance style deviates from the current governance in their departments. If there were a clear tendency of chairs to either systematically prefer a more managerial or a more collegiate approach to the one currently experienced, then we could conjecture that in the future a move in either the managerial or the collective direction might occur. That would require the chairs actually having a strong influence on the governance structure. Alternatively, a systematic deviation between actual and judged best governance styles could mean that university leadership has pushed governance in a direction that is not appreciated by the departments. Even if there is no systematic deviation into one direction on average, one might suspect that it might still exist for subgroups. A two-sample signrank test reveals that there is no significant systematic difference between current and best governance style. This holds for the whole sample ($p > 0.26$) as well as for subsamples of the top 50 ($p > 0.36$) and ranked 51 to 100 departments ($p > 0.50$). For a meaningful analysis of the differences for subsamples by region the number of observations become too low. The only exception is Oceania, where the chairs judge the optimal governance style to be more collective than the prevalent style ($p < 0.03$).

Result 5 *Compared to the governance styles judged best by chairs the actual governance style does not significantly deviate in one direction.*⁹

3 Caveats and conclusion

This questionnaire used in this study is supposed to give a snapshot of how economics departments are run today and what the people running them

⁹We see though that in Oceania chairs are faced by a more governance style that is more managerial than what they find optimal ($p < 0.05$).

think would be the best way of running them. Breaking down the governance styles in academia to a single dimension of collective versus managerial governance is clearly an over-simplification. Also we do not claim that our two crude questions and the very basic data analysis identify any causal effects. We are only reporting correlations. So we do not claim that a collective governance style increases the quality of a department or vice versa. We cannot tell. Moreover, we omit some important variables that potentially influence both the quality of a department as well as the governance style. The regional dummies control for a variety of influences one could think of, but not for all. A further concern is that our study could suffer from selection bias. Close to half of the chairs we sent our questionnaire to responded. While we have a reasonably nice spread across differently ranked departments, there are regions that are underrepresented (South America and mainland China). A heckman-style sample selection model with region and size in the sample equation confirms Result 3 on the correlation between department ranking and governance styles. The identification of the sample selection equation is weak though, which means that we cannot be sure that there is no systematic response pattern we cannot identify that invalidates our results.

We conclude that economics departments with the exception of Asia still tend to be governed in a collective manner. The governance style is the more collective the higher the department is ranked. On average chairs express the view that this collective style is best suited for a good research and teaching department. There is no general systematic divergence between the actually prevailing governance arrangements and the ones deemed best by chairs. The only exception is that chairs in Oceania believe that it would be more conducive to their research and teaching performance if their governance arrangements were more collective.

A Appendix

A.1 Regression results

	<i>own style</i>	<i>best style</i>
<i>top50</i>	-1.04*** (0.29)	-1.03*** (0.27)
<i>region (base Oceania)</i>		
<i>continental Europe</i>	-0.39 (0.49)	0.75 (0.45)
<i>Asia</i>	0.71 (0.64)	2.87*** (0.59)
<i>UK/Ireland</i>	0.31 (0.61)	0.66 (0.56)
<i>USA/Canada</i>	-0.83* (0.43)	0.40 (0.40)
<i># of faculty (in 10s)</i>	0.10** (0.05)	0.08 (0.05)
<i>constant</i>	2.33*** (0.47)	1.56*** (0.43)
N	44	43
r^2	0.48	0.60

Table 1: Regression results (stars indicate significance on the 10, 5 and 1 percent level)

A.2 The wording of the questionnaire

Dear Department Chair,

My name is Ralph-C Bayer. I am currently the Deputy Department Chair of the School of Economics at the University of Adelaide in Australia. I have observed that in recent years in some countries the style of how Economics Departments (and other academic departments) are run has changed. While

still many institutions prefer a collective style with quite some devolution of power and democratic elements, recently in some institutions a move towards a managerial style has taken place.

The purpose of this email is to get a quick and very rough overview over what current department chairs in economics departments think is the best way of governance and what the current governance practices are. For this reason, I have sent this email to the chairs of the 100 highest ranked economics departments from the QS ranking (2013).

Knowing about the serious time constraints department chairs are under, I am not asking you to either write a long explanatory email, or to fill in a long questionnaire. I would be very grateful though, if you could answer two quick questions by return email. John Siegfried from Vanderbilt has kindly shared his extensive experience with the topic and has helped me formulate the questions below.

The two extreme ends of the spectrum of governance approaches for an academic department are:

A) The **collective** model, where department chairs are active senior academics, who for a certain amount of time serve as a department chair. Moreover, the expectation is that turns are taken and that senior academics “take one for the team” at least once in their career. Recruitment is internal and after the time as Chair the academic is expected to resume with research and teaching. The term is typically relatively short (up to three years.) Decision making is at least to some extent democratic and a leadership group in the department is helping to shoulder the administrative burden.

B) The **managerial** model, where an administration minded academic is taking over the role. The leader’s motivation is not to perform a duty for the department. The chairperson sees himself as part of the university management and has a vision for a department. External recruitment takes place if no suitable person is found internally. The decision power is concentrated with the leader. In return the leader performs a large amount of administrative duties in order to allow the other academics to get on with research and teaching. The chairperson is expected to serve in the role for an extended time and is not expected to return to research and teaching. The chairperson is likely to move to a higher leadership position if the opportunity presents itself.

Question I: *Which governance style is most helpful for achieving the goal of being a top-class economics department in research and teaching?*

(Please choose from)

1. A
2. rather A
3. half-way between A and B
4. rather B
5. B

Question II: *Which governance style best describes the arrangements in your department?*

1. A
2. rather A
3. half-way between A and B
4. rather B
5. B

It would be great if you could send a return email with your answers to Ralph.bayer@adelaide.edu.au (e.g., Q1=3, Q2=4). Feel free to add some commentary if required. Answers will be treated confidentially. Please let me know if you are interested to hear about our findings.

All the best and thank you very much for your help,
Ralph