

THE SCOPE OF PROFESSIONAL ADMINISTRATORS IN ACADEMIA AND ITS IMPLICATIONS

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ABSTRACT

The managerial structure of a typical university has evolved very significantly since the past few decades. Today's universities borrow more and more practices from their counterparts in the corporate world. In the current study, we argue that the managerial structure shift occurred in the higher education institutions intensifies the separation of ownership and control which translates into many forms of agency costs. Indeed, our empirical evidence suggests that from 1987, the employment of administrators and professional staff substantially outpaces those of full time faculty which in part contributes to the escalating tuition and fees. The year of 2011 marked the first year in the history of higher education that part-time faculty outnumbered fulltimers. We speculate that this is an effort of trying to mitigate rising tuition. Yet, the tuition and fees a typical student paid for higher education service still doubled since 1987 measured by 2011-2012 constant dollars.

Keywords: Professional Administrators, Academia, Implications.

INTRODUCTION

Universities have always employed administrators. However, where the administrators are drawn as well as how they function is very different today as comparing to a few decades ago. In the 1970s and earlier periods, top administrators as well as midlevel managerial tasks were generally drawn and directed by the faculty. They typically occupied the administrative slots on a part-time basis and planned (and certainly did) in due course to return to full-time teaching and research. Given this very special system of managerial tasks assignment and rotation, the stakeholders (largely the faculty) and the management of universities greatly overlap resulting in a reasonably aligned interest of both groups. By the language of the Principal-agent Theory, the agency problems/costs are not as serious or substantial as they are in a corporate firm. Yet, the managerial structure of a typical university has evolved very significantly since then and is not as it seemed before. Today's universities adopt more and more practices from the business world. Consider, for example, universities fill their top administration positions mostly by professional administrators recruited externally. Although some middle-level managerial tasks are still drawn and directed by the faculty, those administrators tend to view management as an end in and of itself. Most hope to make management their life's work and have no plan of returning to faculty (Galanou & Priporas, 2009).

The agency problems on the realm of academia did not attract too much scholarly attention in the past because the separation was not substantial. This is true when the faculty occupied most of the administrative slots on a part-time basis and returned to full-time teaching

and research. Given this very special system of managerial tasks assignment and rotation, the groups of ownership and control in universities largely overlap. A reasonably (if not perfectly) aligned interests of the two groups is only a natural outcome without too much need of designing an incentive mechanism. Consequently, the agency problem is at its minimum which explains the lack of scholarly interest. Yet, we speculate that ever since universities adopt more practices from the corporate world, the separation of ownership and control becomes substantial. The agency problems in turn come to be as serious as they are in a corporate firm.

However, one of the common difficulties in designing a managerial compensation with the intended effects is the meaningful measurement of the manager's performance. Such a measurement has to be quantifiable and can truly reflect the executive's idiosyncratic performance instead of capturing the general economic factors that are greatly out of her control. Otherwise, the firm would be rewarding or punishing the executive for something she could never be held responsible for. According to a survey by the College and University Professional Association for Human Resources, the most common executive only benefits at colleges were performance-based incentives, often in the form of bonuses, designed to push priorities like improved retention rates or fun-raising goals. More than 25% of single-institution presidents had the opportunity to earn performance-based incentives. According to the report, those percentages have grown as more executives are recruited from the private sector. However, these "new" compensation practices are frequently controversial because of the nature of higher education institutions (Heck, 1995).

Our empirical evidence reveals that while full-time faculty employment from 1987 to 2011 grew at a rate comparable to the student enrollment growth, the number of administrators and staff seems to increase at a significantly disproportionate rate. The percentage growth of the employments is even more substantial while using 1975 as the base year. Those sizeable employment increases in the categories of administrators and professional staff, we believe, also translate costs onto students (Popoola et al., 2013).

At constant 2011-2012 dollars, from 1987 to 2011, the average tuition and fees for undergraduate education nearly doubled. While from 1975, it tripled. This structural change, we argue, intensifies the separation of ownership and control. We further believe that the agency problems/costs are becoming more pronounced in higher education institutions (Topley, 1990). They exist with different forms. The one we observe in our data is the trend the administrators trying to enlarge their domain. The escalating size of professional staff is clear evidence. Perhaps in a few years, the total employment of professional staffers would exceed those of full-time faculty since the gap is quickly narrowing (Yu & Prince, 2016).

CONCLUSION

Further, in an effort to mitigate the rising tuition and fees, administrators seem to substitute part-timers for full-time faculty. Indeed, as the data shows, the year of 2011 marked the first year in the history of higher education that full-time faculties are outnumbered by part-timers. Collectively, this study documents the managerial structural changes in higher education institutions. Those shifts are very substantial and can have long-term impact on the quality of higher education. We believe our study suggests at least two avenues that warrant future research. First, while universities adopt similar compensation practices for their top administrators from the corporate world, a systematic study on the compensation contracts seems

to be timely. In particular, an understanding of the incentive mechanisms embedded in those professional administrators' employment contracts is valuable. Second, the governance structure is the other aspect demanding much research attention. This is true while universities seem to converge structurally toward a corporate firm. How to determine the most efficient governance structure in a university remains the question to be answered.

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