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ABSTRACT

This study examined the state of Oregon's efforts at administrative reform in public higher education. The early stages of implementation of the Higher Education Administrative Efficiency Act initiated by Oregon during the 1995 session were analyzed. Four factors were found to be primarily responsible for the need to reform public higher education in Oregon: (1) the presence of financial, social, and political factors; (2) widespread dissatisfaction with the status quo; (3) supportive internal leadership; and (4) timing. The study reinforced the proposition that professional development is an essential part of the successful implementation of public policy. In the early stages of implementing the Act, there was a wide disparity between how successful mid- and upper-level administrators perceived implementation to be. Street-level administrators viewed their new responsibilities under the Act as detracting from human efficiencies, while upper-level administrators viewed increased autonomy as a positive contributor to human efficiency. The study concluded that areas which affect the development and implementation of large-scale administrative change efforts include communication within the organization, access to staff development activities, and the use of available technologies to ease difficulties associated with implementing administrative reform. (Contains 18 references.) (PRW)

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# Efficiency in Public Higher Education: Administrative Reform and Redundancy

by

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## Introduction

The purpose of this study is to examine one state's efforts at administrative reform in public higher education. In the context of the ongoing, and often heated, discussion about the responsiveness, accountability, and efficiency of institutions of higher education, the Oregon State System of Higher Education (OSSHE)<sup>1</sup> is, today, in the midst of a massive change effort sparked by the 1995 legislative mandate (Senate Bill 271) entitled the "Higher Education Administrative Efficiency Act" (or, simply, "the Act"). This action was undertaken amid the continuing national debate about the appropriate use of faculty time, the general perception regarding inefficiency in college and university administration, increased investment in administration compared to instruction, and tuition increases that far exceed inflation rates (Heller & Eng, 1996). The widespread view of inefficiency has been articulated by those both inside and outside the academy, which has led Winston (1992, p. 410) to recognize the "need to increase and redirect our institutional attention toward efficiency, paying less attention to getting more income and more of it to how we spend the income we're already getting in ways that best serve our purposes."

In its 1995 session, Oregon's legislature initiated a bold effort to get more from its investment in public higher education with the passage of SB 271—legislation expressly seeking increased efficiency and cost savings in the administration of Oregon's seven public colleges and universities. Although Oregon educators and legislators resisted labeling their efforts as "privatization," public higher education gained significantly more distance from state government and its regulation than had previously existed. In this paper we explore the development and early stages of implementation of the Act. Although we advise caution about making unwarranted generalizations from this case study, by undertaking this examination we believe we have begun to identify a variety of implications that may be important for others engaged in (or on the path toward) administrative reform in their higher education settings. Our initial findings identify areas which affect the development and implementation of large-scale administrative change efforts, specifically: (1) communication within the organization, (2) access to staff development activities, and (3) the use of available technologies. These topics evolve in the presentation of the data and are discussed in more detail at the conclusion of this paper.

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<sup>1</sup>The Oregon State System of Higher Education (OSSHE) is the name commonly used for the state agency known in statute as The Department of Higher Education. OSSHE is made up of seven institutions—including three universities (Oregon State University, Portland State University, and the University of Oregon), four regional colleges (Southern Oregon State College, Western Oregon State College, Eastern Oregon State College, and the Oregon Institute of Technology)—and a central system (Chancellor's) office. Another public institution, the Oregon Health Sciences University (OHSU), gained status as a separate public entity as a result of 1995 legislative action and is no longer considered a part of OSSHE for most purposes. OHSU is still linked to OSSHE through their academic affairs, however; all new OHSU academic programs must be approved by the (OSSHE) Board of Higher Education.

We chose Oregon for this case study for two reasons: (1) its efforts are the most recent and comprehensive when compared to other states that have legislated administrative reform in public higher education (e.g., Virginia, Washington, and New York), and (2) its efforts are particularly accessible to us because we live and work in the state of Oregon—offering us the opportunity to conduct, up close, a study of this exceptional development in the administration of higher education.

In addition to these introductory remarks, this paper is comprised of five major sections: (1) The Act and the Oregon Context, (2) Methods, Data Sources and Data Analysis, (3) Development and Implementation, (4) Links with Theory, and (5) Summary of Conclusions and Implications.

### **The Act and the Oregon Context**

The Act exempts OSSHE from most of the administrative statutes that govern other Oregon state agencies. Essentially, the Act enables OSSHE to operate its own system of administrative services, including the functions of personnel, purchasing and contracting, travel, printing, and facilities management. Public higher education is now free from virtually all state administrative oversight and has been given the authority to run its operations free of the State Department of Administrative Services (DAS) regulations and procedures. This is a radical departure from the way state business has historically been conducted. Traditionally, every state agency in Oregon operates under the statutes and administrative rules of DAS; everyone follows the same rules. One administrator in the central office summarized what it was like to operate under DAS this way:

DAS has a one-size-fits-all approach to administration. It's an old-fashioned, 1950s style bureaucracy that functioned very well in its time. But things have changed so much now, particularly in higher education. We had so many bureaucratic hoops to jump through [under DAS], and so much time was wasted on paper-work and pre-approvals that we just became "bogged-down." Far too much of our time was spent complying with policies and procedures that just didn't fit with the needs of higher education.

This clearly articulates the level of bureaucratic "red-tape," and the rigidity of the administrative guidelines, under which Oregon state agencies typically operate. OSSHE, as of July, 1995, no longer is required to operate under DAS rule. A natural question to ask would be: how did Oregon public higher education escape this bureaucracy and gain the freedom to operate its own system of administrative services? The answer lies in the series of events which led the Oregon Legislature to conclude that public higher education does not belong under a "one-size-fits-all" administrative model.

One of these events is the passage, in 1990, of "Measure 5," a constitutional amendment similar to California's "Proposition 13," which places a cap on property tax rates, and at the same time requires the state to maintain funding levels for K-12 schools (Conley, 1992). By decreasing property tax revenue, and mandating preservation of K-12 funding levels, Oregon voters effectively forced the legislature

to redistribute money from the State's general fund away from higher education and other state agencies and into K-12. In addition, other recent changes in Oregon laws have increased the amount of state funding dedicated to health care and the state corrections system, resulting in increased competition for limited state appropriations (Ackles, 1996). These factors combined to reduce the percentage of state funding from 31% in 1989 to a mere 22% of OSSHE's total revenue for the 1995-1997 biennium—the lowest percentage of state funding in the history of Oregon public higher education.

The funding issues discussed above are not the only pressures Oregon public higher education has faced. Like much of the rest of the nation, Oregon is experiencing a rapid growth in its population of college age students. As increased numbers of students graduate from Oregon high schools,<sup>2</sup> the "echo of the baby boom" is resulting in increasing demand for traditionally lower cost public higher education (Kissler, 1994). Coupled with decreased state funding, the increased demand on Oregon public colleges and universities raised a fundamental question for State policy makers: "How can Oregon continue to provide low cost, high quality higher education when state funding is decreasing and the potential student pool is increasing?" OSSHE took it upon itself to answer the question and advocated for its removal from the centralized bureaucracy of DAS and that it be allowed to create a more flexible, responsive, and ultimately efficient system of administration. Such a move, OSSHE believed, would enable Oregon public higher education to maximize its current resources. Ultimately, the Oregon Legislature agreed and enacted Senate Bill 271. OSSHE was granted the authority to develop and implement its own system of administrative services. In so doing, the legislature created a parallel system of administrative services, existing apart from DAS and the rest of Oregon's state agencies.

### **Methods, Data Sources, and Data Analysis**

This section first discusses our point of entry for the study and our access to data sources. We subsequently describe our methods of collecting and analyzing the data.

Entry and Access. One of the authors, Jim Arnold, is a Chancellor's Office (the central system office) staff member, employed as a policy analyst in the Office of Academic Affairs. This relationship has allowed us virtually unrestricted access to documents and individuals connected with the Act. Data were collected through the methods of document analysis and individual interviews.

Document Analysis. We analyzed several hundred documents over an approximately six-month period. Most of the documents collected and analyzed for this study were internal OSSHE memos and letters regarding the development and implementation of the Act. Other documents available included: legislative history documents (e.g., earlier proposed legislation), OSSHE administrative documents (e.g., institutional purchasing agreements), and State Department of Administrative Services (DAS) documents. Due to our insider status, we had access to many

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<sup>2</sup>The most recent projection from OSSHE Institutional Research Services (1996) is that there will be 14% more high school graduates in 2004-05 compared to 1994-95 (this compares with an earlier 25.7% increase for the same period).

documents not generally available outside of OSSHE. Document analysis is an ongoing process, but we conducted a major portion of this phase of data collection prior to scheduling any interviews.

Individual Interviews. This report is also based on our preliminary analysis of data generated from individual interviews with seventeen respondents. In identifying our initial interviewees, we engaged in criterion-based selection (LeCompte & Preissle, 1993) of respondents (also termed purposive sampling, Patton, 1980). In essence, we began by identifying and interviewing respondents in three distinct categories of responsibility with respect to the development and implementation of the Act. The first category of individuals we identified were upper-level state-system administrators (employed in the Chancellor's Office), many of whom were directly involved in the development, writing, and passage of the Act. The second category included administrators at the upper-level of campus administration, such as Deans and Vice Presidents of Finance and Administration. These respondents were frequently involved in developing the specific campus policies which followed as a result of the Act—as well as overseeing the implementation of such policies. The third category of respondents included individuals directly involved in policy implementation, the so-called "street-level bureaucrats" (Lipsky, 1980). This group included campus- and system-level office staff or department managers—those individuals, for example, who complete and process paperwork under this new system of administration.

Data Analysis. We present our findings in the main categories below of (1) policy development (see subsection entitled "Development of the Act"), and (2) policy implementation (see subsection entitled "Implementation of the Act"). The policy development data explain the variety of factors present in the political, social and economic climate(s) of Oregon which led to the passage of the Act; the subsequent implementation data are presented in terms of a typology of efficiencies modeled after that of Boulding (1978). From the outset of this study, data collection and data analysis activities have taken place simultaneously in order that the ongoing data collection be informed and guided by our interpretations, however preliminary. In this way, our initial "sense making" of the data has allowed us to "facilitate the continuing unfolding of the inquiry" (Lincoln & Guba, 1985, p. 225). We regard this paper as a status report of our preliminary data collection and interpretation efforts.

## **Development and Implementation**

In this section we present our preliminary findings. First we describe the *development* of the Act, outlining the circumstances which conspired to produce just the right conditions for its genesis. Then we examine the *implementation* of the Act, specifically outlining a typology of administrative efficiencies.

### The Development of the Act

One of the primary research questions involved in this study was: "How does a state system of public higher education move from the administrative control of a highly centralized state bureaucracy to a more decentralized and autonomous, parallel system of administrative services?" We found that four broad categories of circumstances combined to bring about this particular administrative reform: the

presence of financial, social, and political factors; widespread dissatisfaction with the status quo; supportive internal leadership; and timing. These categories are discussed, in turn, below.

### *Financial, Social, and Political Factors*

By the early 1990s there were many financial, social, and political circumstances that contributed to the need to review the existing administrative model of Oregon public higher education. These factors were clear to our respondents, many of whom cited the “changing climate for higher education” as the primary impetus behind the Act. One senior system-level administrator illustrated the problems of the early-1990s this way:

Our backs were against the wall. The legislature had reduced our funding for the fourth consecutive time, and Measure 5 [Oregon’s property tax limitation] essentially guaranteed that the trend would continue. At the same time, we knew that more kids would be entering the system, and that Oregonians were demanding “quality and affordable” higher education for their kids. We didn’t know exactly how we needed to change, but we did know something had to be done to increase the flexibility of how we operated.

Such sentiments were echoed repeatedly by our respondents, with most expressing tremendous frustration over the inflexible DAS administrative processes. The hostile environment perceived by Oregon higher education administrators served as a catalyst for change. One Vice President summarized the newly created atmosphere of change, stating:

The troubles in the early 1990s caused an “age of open-mindedness” within the state system [of higher education]. Suddenly, system level administrators were listening to our [campus administrators’] ideas about how we could run things better if only we had more control over operations. What used to be dismissed by the system people as “stupid ideas” suddenly didn’t seem so stupid.

The multiple problems facing higher education may have, in effect, forced the state system to consider some type of administrative reform in an effort to maximize the use of diminishing resources. But deciding *how* to reform the administration of public higher education was a difficult process. One campus Vice Provost summarized the difficulty in deciding the method of administrative reform this way:

Everyone knew we needed more autonomy, more decentralization, because all of the problems [decreased state funding and increased students] we were facing weren’t going away, and we needed the flexibility to operate in ways that we could save money—if they exist. But nobody was really sure how to get it. We knew that the state [DAS]

wouldn't just give it to us, so we considered moving away from state control by forming a public corporation. The problem with the public corporation idea is that it wouldn't fly politically. The legislature and the public kept referring to our public corporation proposal as an attempt to "privatize" public higher education. Nothing we did to explain that we weren't privatizing, that the Governor and legislature would still have ultimate control over us, seemed to get through. Finally, we decided to go another route, and propose separate legislation that simply exempted us from the statutes and rules that we felt were the most inefficient for us. This was a much more politically benign approach, and people bought it.

The combination of decreased funding, an increasing student population, and a politically acceptable proposal for change contributed greatly to shaping administrative reform of public higher education in Oregon. This combination of financial, social, and political factors were frequently recognized by our respondents as the catalyst for administrative reform in Oregon and the subsequent passage of the Higher Education Administrative Efficiency Act.

#### *Widespread Dissatisfaction with the Status Quo*

Another factor that contributed to the development of the Act was the widespread dissatisfaction, among higher education administrators, with the highly centralized, highly bureaucratic model of administration under DAS. Their criticisms were consistent with Osborne and Gaebler's (1991) rebuke of the "one-size-fits-all" approach to bureaucratic public administration—which rejects the time-consuming, multiple levels of approval and decision making inherent in a bureaucracy which impede an institution's ability to respond quickly and efficiently to changing circumstances. "Today's environment," Osborne and Gaebler (1991, p. 12) argue, "demands institutions that are extremely flexible and adaptable. It demands institutions that deliver high quality goods and services, squeezing ever more bang out of every buck." Under DAS, OSSHE and its campuses had little flexibility and were unable to adapt to the rapidly changing environment in which they operated. This inability to be flexible and adaptive was a source of much frustration for many of the interview participants. One campus-level personnel administrator expressed this frustration in this way:

I called operating under DAS rules and procedures "feeding the beast." It seemed like we had to do so many things just to keep Salem [DAS] off our backs that I viewed it as almost a sacrificial ritual. There were so many rules to follow, forms to fill out, and approvals to wait for that it seemed like nothing meaningful was getting done. Far too much time was being wasted keeping DAS happy by complying with their rules when all that we wanted was to simply hire or reclassify somebody.

Frustration with the DAS system of administrative services was present in all areas of administration. For example, under DAS, all purchases and contracts went

through vendors approved by the state. These vendors had been given exclusive contracts to provide all state agencies with particular goods or services. Neither OSSHE nor its campuses were free to shop for better prices or agreements for any of the numerous goods and services that they used and, instead, were required to procure everything through the state-selected vendors. This was a constant source of irritation for OSSHE and campus level administrators. One campus purchasing and contracting administrator summarized the problem:

The problem under DAS was twofold. First, was the bureaucracy. Every time we made a purchase over \$2,500, which was frequent, we had to first approve it in our office then pass it on for approval by our business office. From there it went to Salem for two different approvals then back to us for reconciliation. Sometimes it got to the point that by the time we finally got the okay to make the purchase we didn't need it anymore. This happened more than you might think. The second problem under DAS was that they created monopoly situations by giving single vendors exclusive rights to our purchasing needs. Those vendors had no incentive to keep prices competitive and we almost always paid more than we should have for everything. We really needed to get out from under those problems.

The dissatisfaction with DAS among OSSHE administrators was not only widespread, it had also been present for a long time. Another campus-level personnel administrator described the situation this way:

We've had a long history of dissatisfaction with DAS. There has been a resentment towards Salem [DAS] for years, and it's primarily because higher education is a unique industry that doesn't fit well into a centralized bureaucracy. First of all, people in higher education like to ask "why?" and that doesn't sit well with centralized control. Second, unlike other state agencies, OSSHE and its campuses have personnel systems in place. DMV [Department of Motor Vehicles], for example, doesn't have any personnel managers in-house. But we do—and they're generally well educated, competent administrators. So that makes us unique—we can handle personnel administration ourselves. We don't need Salem conducting our examinations, for example.

A review of OSSHE documents relating to DAS revealed that the dissatisfaction among personnel administrators was so severe that, in 1991, OSSHE approached DAS with a proposal to create a separate, autonomous personnel system for Oregon public higher education. DAS immediately rejected the proposal and refused to give it additional review. A senior system-level administrator summarized the events this way:

Under DAS, we had to pay a pro-rata assessment for their personnel services based on the total number of OSSHE employees. The

assessment we paid was something like two million dollars, which is a lot of money. The problem was, we didn't need their services like other state agencies do. We have our own personnel people, and we thought that we could provide similar services and save most, if not all of the two million. We really felt like we were subsidizing the other state agencies that had no personnel people, and we just couldn't afford it after Measure 5. So, we said to DAS "why don't you let us run our own personnel system, and that way we can put the assessment dollars into education." DAS didn't even give the proposal a serious look. They were threatened by it. If we left, other agencies might say "we can do it better too." Plus, they didn't want to lose the two million because it might mean laying off some of their employees. But that was a typical DAS reaction to any of our ideas.

The widespread dissatisfaction among OSSHE administrators with the way in which DAS operated was a key element to OSSHE's administrative reform. Without such a consensus, at both the campus and system levels, many of the respondents felt that any proposed change in administrative policies would have met with resistance from within OSSHE and would have been quickly stifled—or even extinguished.

#### *Supportive Leadership*

Another theme was strong support for change by system and campus leaders. If not for the determination and persistence of a handful of critical administrators, the effort to reform Oregon public higher education administration likely would have failed. As early as 1992, the OSSHE Vice Chancellor for Finance and Administration was advocating for increased autonomy. Correspondence to state legislators, media, and community leaders indicate that the Vice Chancellor was interested in how administrative reform would be perceived. Our respondents in this study confirmed that much of the groundwork for administrative reform generally, and for the Act in particular, was laid by the Vice Chancellor and his colleagues within OSSHE. One campus level Vice President summarized OSSHE leadership this way:

Very early on, [the Vice Chancellor for Finance and Administration] played a large role in advocating for change. We [campus level administrators] would go to OSSHE with complaints or suggestions, and he [the Vice Chancellor] would really listen. I think he knew that we could run things better if given the chance, and he showed that confidence in us by trying to sell the idea of decentralizing. We really needed somebody like that in OSSHE because they're the ones who talk with Salem [DAS and the state legislature] and speak their language.

Many of the other respondents echoed such sentiments, and when asked about his role in the development of the Act, the Vice Chancellor responded:

I knew in my heart that things could be done better in terms of the administration of higher education. And I knew it would take something like the Efficiency Act to achieve the level of autonomy and decentralization necessary to do things better. I had seen it done better elsewhere, in a lot of different administrative areas, and I just had kept it in the back of my mind as I dealt with the day to day problems coming from Salem. I guess I'm just an optimist.

This commitment to reform from the highest level of the State System of Higher Education was critical to overcoming the resistance to reform that OSSHE encountered from DAS. And a high level of commitment was what was needed, for DAS balked at OSSHE's early efforts to be removed from its rules and procedures. After all, as we indicated earlier, DAS stood to lose substantial revenue if OSSHE left. Moreover, DAS feared that other state agencies might follow OSSHE's lead and propose exemption from its rules and procedures. When OSSHE finally proposed the Act, and submitted it to the legislature, DAS provided many arguments against the creation of a second, redundant system of administrative services to be operated by OSSHE. For example, DAS developed a fiscal analysis for the legislative committees reviewing OSSHE's proposal which concluded that a redundant system of administrative services would not save OSSHE money and would, in fact, increase the cost of the administration of Oregon public higher education. This was DAS's "worst case scenario" which was distributed as an official State of Oregon "fiscal analysis." If not for the persistence of OSSHE leadership, the proposed legislation would likely have died in committee and Oregon's attempt at reforming the administration of public higher education would have failed. OSSHE responded to the fiscal analysis with one of its own, clearly showing the anticipated savings and efficiencies associated with the proposed Act. Through this effort, OSSHE was able to convince the legislature that it could, indeed, be more efficient if it was exempt from DAS control. One campus Vice President, who was present when OSSHE administrators testified before the legislative committee, viewed the rebuttal of the DAS fiscal analysis as critical to the passage of the Act:

When [the Vice Chancellor] testified, you could tell that he really believed in the Act. That's what so much of the political game is about—believing in what you advocate. He did, and everyone there could see it. When he told the committee members that the DAS report was incorrect, and why it was incorrect, it was very compelling. OSSHE just did a better job of convincing the legislators of our side than DAS did.

Supportive leadership came from the campus level as well. Throughout the development of the Act, many campus administrators expressed their desire to decentralize administrative decision making and push authority down to levels that would allow the state colleges and universities to be more responsive to its specific needs. On some campuses, in fact, leaders were trying to decentralize well before the Act removed them from DAS control. Although it meant operating outside of DAS

administered state laws, one campus level Vice President “confessed” to decentralizing his institution years ago:

We’ve operated under a clandestine decentralized model for years. DAS never really knew about it because we did a pretty good job of hiding some things. I’ve always taken the position that if we can save some money, we ought to, regardless of violating any procedures. So, whenever I needed to travel for my job, I never used the state travel agent because they charged thirty to fifty percent more than some other agents for the same fare. Instead, I would shop around and find a less expensive fare, and purchase that one. DAS may have suspected it when they reviewed the books, but they never did say anything. Hey, if someone wants to fire me for saving the state some money, let them try.

This type of system-wide support for reforming the administration of public higher education was essential to the development of the Act. At both the system and campus levels, administrators were committed to a more decentralized model of administration. And when the Act was finally proposed, virtually no internal resistance was met.

#### *The Timing of the Reform*

Another significant factor contributing to the development and passage of the Act was timing. This issue surfaced repeatedly throughout the study. What is meant by “timing” is actually threefold. First, the financial, social, and political factors facing Oregon public higher education, discussed above, all came together in the early 1990s. Had this not been the case, it is likely that any one—or even two—of the factors could have been addressed without resulting to large-scale administrative reform. Because all of these forces came about at roughly the same time, OSSHE was faced with unprecedented challenges and administrative reform became a more attractive and viable solution.

Second, “timing” contributed to the development of the Act in that OSSHE leadership was comprised of many people sharing a similar administrative philosophy. The desire to decentralize Oregon public higher education, and move decision making authority down to more local levels, was shared by administrators at both the system and campus levels. Because so many administrators shared this view simultaneously, the movement toward administrative reform gained momentum and validity. There was a single shared vision at all levels that validated the movement toward OSSHE operating a separate system of administrative services. This consensus among OSSHE administrators contributed substantially to the successful development of the Act.

Finally, “timing” was critical politically. Paralleling the changes in the U.S. Congress, the 1994 election year resulted in an increased number of conservative members of the Oregon legislature. Many of these new legislators had run on platforms of “reducing big government.” Hence, reducing the costs and regulations associated with operating the state government was a significant goal for many

Oregon legislators. Consequently, when OSSHE proposed the Act as a means of reducing government bureaucracy and eliminating waste, the Oregon legislature responded favorably. Having the right legislators in office at the right time was cited repeatedly by respondents as critical to the success developing the Act. Earlier legislatures were viewed by many within OSSHE as "too friendly to government to step on any toes." Without the presence of this new, more conservative, legislature it is doubtful that OSSHE would have even considered developing the proposed administrative reform legislation.

In sum, Oregon's administrative reform of public higher education, from a highly centralized bureaucracy to a more flexible, decentralized model of administration, would likely not have come about without the simultaneous presence of financial, social, and political factors, widespread dissatisfaction with the status quo, supportive internal leadership, and the right timing. The next section discusses the implementation of the Act, as well as some specific efficiencies.

### Implementation of the Act

As discussed above, the Act exempted the Oregon State System of Higher Education from many of the statutes and administrative rules that had governed the administrative services of state agencies. Because the Act expressly sought to increase administrative efficiency in the delivery of public higher education, another primary research question for this study was: "Has the implementation of the Act increased efficiency in the delivery of public higher education in Oregon, and if so, how?" Our findings to date suggest that efficiencies have, indeed, been attained and that they can be categorized into three types: "financial," "human," and "subtle." Guided by Boulding's (1978) perspective; the typology of efficiencies we utilize is outlined below.

#### *Financial Efficiencies*

The financial efficiencies resulting from the implementation of the Act are defined as the actual cost (dollar) savings associated with OSSHE's operation of a parallel system of administrative services. Initially, OSSHE had anticipated a savings of over twelve million dollars per biennium as a result of having complete administrative control over its personnel system, purchasing and contracting administration, travel administration, printing operations, and facilities management.<sup>3</sup> Because the Act, and OSSHE's new administrative structure, have only recently been implemented, it seems premature for us to totally and accurately assess many of the anticipated costs savings. There are, however, some concrete examples of financial efficiencies already reported by campuses in the areas of travel, printing, personnel administration, facilities management, and purchasing and contracting.

Travel. Travel operations have produced immediate cost savings since the adoption of new decentralized rules and procedures under the Act. Because the Act removed OSSHE from the rules mandating its use of the state travel vendor, each

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<sup>3</sup>In fact, OSSHE argued before the legislature that these savings could, and would, be used to accommodate 2000 more students in the State System without having to seek additional state revenues.

campus is free to purchase travel fares and accommodations from any vendor that can meet its needs. One campus administrator reported that this new freedom to “shop comparatively” has resulted in substantial immediate cost savings:

We used to pay much more for fares and accommodations through the DAS travel agent. Now, I’m already aware of savings totaling over \$150,000 at [this institution] for the first year of the Act alone. That’s a big deal for us. Also, we have two or three travel agents that we go through, and believe me, they really appreciate our business. We never felt like we got good service under [the DAS travel agent], but now everybody seems to be very happy.

Printing. Most OSSHE campuses have also reported savings on printing costs. Under DAS administration, five of the seven OSSHE campuses had to send all printing jobs to the Salem DAS office for review. DAS would review the print job request and determine whether DAS would do the job in-house or whether the job would be contracted out to private printers. The two largest OSSHE institutions, the University of Oregon and Oregon State University, had DAS operated printing shops located on campuses and did not need to send most printing jobs to Salem. Under DAS operations, campuses were frustrated because of the frequent delays in completing printing work that occurred because the work was being done at a remote site (Salem). Further, if DAS contracted out the printing job, the campus was charged a ten percent mark-up on whatever price was paid by DAS to the private contractor. Now, under the Act, OSSHE and its campuses are free to negotiate agreements with any printing provider they choose, resulting in immediate cost savings. One campus business office administrator said that her institution’s savings have been substantial:

We’ve already saved money in the printing area. It seemed like most of the jobs we sent to DAS before the Act were contracted out anyway, and we were charged an additional ten percent of the price of the job. Just subtract that ten percent from most of our printing budget under DAS, and the savings add up in a hurry. We’ve saved thousands of dollars already—and we don’t have all those delays in getting our products back to us.

Personnel. The new personnel systems put in place at each OSSHE campus under the Act have resulted in some immediate financial efficiencies as well. One aspect of the DAS personnel system was that it often took several months to get approval to hire a new employee. During that time, the campus employer would frequently hire a temporary employee do to the work while they waited for hiring approval. This often meant additional costs to the campus because, as one personnel administrator stated:

Temporary employees can be a very expensive addition to payroll. People don’t always realize that. When we hire a temporary employee,

we usually pay them an hourly rate negotiated by their temp agency.... But what often goes overlooked is the additional training that temporary employees require, and this training, at least on our campus, often comes from outside trainers who also get paid by the hour. So it starts to add up; all of the additional hours paid to temporary employees and for their training don't always come from our current FTE.

Facilities. Another administrative area that has experienced immediate financial efficiencies as a result of the Act is facilities management. Under DAS, any capital improvements required by OSSHE institutions were subject to the same cumbersome procedures applied to other state agencies. But higher education institutions, because of the relatively large numbers of buildings and roads, conducts many more capital improvement projects than a typical state agency. Consequently, removing campus physical plants from DAS control has already produced financial efficiencies and has the potential to produce substantially more. One campus physical plant administrator illustrated the cost savings associated with the Act:

We've been able to save a lot of money right away, particularly on the small jobs. Before, any job over two thousand dollars in estimated value had to be run through the state's competitive bid process. That meant delays—which cost us money because we have to maintain some temporary improvement, like a temporary building for example, and it also didn't guarantee us the lowest price. The state would take the lowest bid, but that bid was usually higher than what it would cost us to call a private contractor ourselves. Now, if we have a small repair or improvement contract, we just call a couple of contractors that we know are good, and offer competitive quotes, and they come out and do our job. Two weeks ago, we had a small job that I know we saved eleven thousand dollars over the old way. I know it because we had it done last year, before the Act, and it was eleven thousand dollars more expensive.

Purchasing and Contracting. Finally, substantial financial efficiencies have been experienced in OSSHE purchasing and contracting offices. Under the Act, OSSHE and its campuses have greater flexibility to procure goods and services at the best available prices. Recall that this was not the case under DAS, where OSSHE and its campuses were required to purchase goods and services exclusively from state selected vendors. Now, each OSSHE campus has reported saving money over DAS vendors in areas ranging from office products, to banking and financial services. One example of the new flexibility afforded OSSHE under the Act is the "purchasing co-op" that several campuses have joined in the past year. A "purchasing co-operative" is an organization formed by a wide variety of Oregon public entities, such as school districts, county sheriff offices, and so on. The arrangement exists to provide a forum in which these public entities can exchange favorable purchasing and contracting agreements. For example, if a school district has a favorable office

products purchasing agreement with a local vendor, the school district will make that agreement available to other members of the co-operative. This arrangement saves each public entity the time and effort normally spent comparative shopping for the best price on office products. At least one OSSHE campus has reported savings of "thousands of dollars" by participating in the co-operative—which could not have happened under DAS control.

Although the above are all examples of financial efficiencies already realized under the Act, most of the savings resulting from OSSHE's redundant system of administrative services will likely occur sometime in the future. This is because of the large up-front costs associated with implementing many aspects of the Act. For example, in the personnel area, while some funds are being saved due to fewer temporary employees, other costs are being incurred for staff development around new aspects of OSSHE personnel management including employee reclassification, recruitment, and selection. The autonomy granted to each campus through the Act requires that current OSSHE employees acquire new skills and knowledge. Thus, many OSSHE staff have needed more training. Now that campuses have more control over operations, staff must be educated in new accounting and auditing procedures as well as other management skills. It is no coincidence that the immediate financial efficiencies discussed above have come in areas that require little staff development. As one campus business officer stated:

Training is what we're all about right now. We've been very successful at it—all of our accounting and auditing classes have filled up, but this eats up much of any savings we're seeing early on. We've hired outside consultants to train our people in new accounting software, as well as auditing procedures. We never had to worry about that stuff before because DAS handled all of it.

It appears that much of the financial efficiency anticipated under the Act will occur later as OSSHE staff receive more training and become more proficient in doing things in new ways.

### *Human Efficiencies*

A second type of efficiency resulting from the implementation of the Act is "human efficiency." Human efficiency, as Boulding (1978) suggests, incorporates things other than financial efficiency, such as increased pleasure, security, or other human values that result from organizational change. If human efficiency is present, Boulding argues, an organization is made better and more efficient. Throughout the study, many examples of increased human efficiency were revealed. For example, one campus level personnel administrator said that:

One of the best aspects of the Act is how it has enabled us to control our own employee reclassifications. Under DAS, getting formal approval regarding an employee's reclassification—which was usually a promotion with more pay, could take anywhere from several months to a year. But our policy was to recognize the employee's reclassification

at the time we submitted it to DAS. After all, the employee was taking on more duties, or even another type of job altogether. So, the employee would be stuck in limbo waiting for "official" reclassification from DAS.... All the while, the employee was adding up back pay, because we recognized the promotion right away, even if DAS took months. This really created terrible situations because the employee wanted to be paid right away for their increased responsibilities, but we had to tell them to wait until DAS approval. When DAS took a long time, everyone got uncomfortable. I got tired of telling the employee to wait for their back pay check, and the employee got tired of waiting. This type of thing took up so much of my time, and caused me so much stress, that I almost quit a hundred times.

The implementation of the Act resulted in allowing campuses to immediately reclassify employees, and immediately grant pay raises. This eliminated the discomfort caused to employees, campus employers, and other campus administrators by the delay in recognition of reclassification, and in doing so, increased the level of human efficiency throughout OSSHE.

Another example of increased human efficiency deriving from the Act involves purchasing and contracting offices. Under DAS, there was a widespread perception among campus administrators that the exclusive state vendors were not providing satisfactory service—neither in terms of the quality of goods and services provided, nor in terms of customer relations. As one purchasing administrator stated, "we felt like the vendor came first, DAS came second, and we, the customer, came third." Now, however, campuses are free to develop relationships with local vendors, and procure the goods and services that more closely meet their needs.

The human efficiencies increased under OSSHE's new system of administrative services may be best illustrated in the area of travel, where OSSHE employees have expressed substantial increases in overall customer satisfaction. One purchasing and contracting administrator summarized the increased human efficiencies succinctly:

Now, even though we spend roughly the same amount of money on certain fares and accommodations, we're staying in nicer places, and flying at more preferred times. We finally feel like our travel agent is concerned about our needs, and that makes a difference.

Similar sentiments were shared by many interview participants, particularly in relation to purchasing and contracting vendors. These types of human efficiencies are frequently difficult to quantify, but were consistently cited as a positive result of the implementation of the Act.

Although our study has revealed increased human efficiencies such as those discussed above, there was a clear disparity between how the upper-level administrators viewed human efficiency, and how lower-level staff (Lipsky's, 1980, "street-level bureaucrats") perceived human efficiency. Essentially, upper-level administrators expressed the opinion that the implementation of the Act had resulted in increased human efficiency; system and campus policy makers thought

that the Act made every employee's life a little better. We found, for mid-level management and other staff, however, that they viewed the Act as *increasing* the stress associated with their jobs and, generally, has made their lives a little worse. One office manager expressed her sentiments this way:

The [campus and system administrators] have delegated a lot of authority to people at my level—department administrators. But responsibility comes with that authority and we haven't been given any kind of support from higher up. They just called one day and said "you're now going to maintain the department's accounts, because we have this new authority." So, they sent me to a few training sessions and then turned me loose. Now, I spend almost all of my time keeping the department books, not so much because there's a lot more work, but because I'm really scared of making a mistake. Before, if I made a mistake as to what I could reimburse a faculty member for, DAS would catch it, and if the faculty member didn't like the decision he or she could take it up with DAS. Now it's my problem, and I'm not sure that I'm always right. What if I make a mistake? Will they fire me? What if the mistake is discovered several years from now, will they come looking for me? There's just a lot of unanswered questions right now, and neither [the campus] or the system are doing much to communicate with us.

This type of fear and frustration was expressed repeatedly by mid-level administrators—in direct contradiction to the perceived increased human efficiency among upper-level administrators. This disparity was summarized well by another campus level department manager, who said; "the folks up above don't have to live with the messes they create. Instead, they'll probably just hire someone from the outside to clean it up." Given this wide disparity regarding the perception of human efficiency, it is difficult to determine how much (or it) human efficiency has increased as a result of the Act.

### *Subtle Efficiencies*

A third category of efficiencies resulting from the implementation of the Act are "subtle efficiencies." This is a term we have assigned to instances where implementation of the Act has resulted in less administrative waste. One area where subtle efficiencies were frequently found was in employee work time. Throughout the study, we found that OSSHE employees are now spending more time on the functions relating to delivering higher education and not spending time dealing with apparently-valueless bureaucratic matters. Prior to the Act, many OSSHE employees spent time on tasks such as reconciling DAS purchase order approvals—which added little or no value to the delivery of higher education. Now, however, employees are spending less time dealing with the bureaucracy and more time performing valuable tasks. For example, one system level office manager stated that she spends much more time doing education-related work, and far less time filling out DAS forms. This, she felt:

is what education is all about: spending time with people, and helping them. I can't tell you how many times somebody would walk into my office and really need a lot of help understanding what it is that we do here. Before, I would just give them a copy of our informational materials and send them out the door. But now, I have more time to explain things to them, and they usually leave with the information they were after. Plus, I've been able to learn much more about what we do, and education generally, just by spending more time working here and less time working for DAS.

By freeing employees of the burdens stemming from complying with DAS regulations, OSSHE has realized a substantial increase in "subtle efficiencies." OSSHE employees now spend more time on value-added tasks, and less on bureaucratic paperwork.

In sum, OSSHE has likely been the beneficiary of many increased efficiencies since the Act was implemented in July, 1995. However, as noted above, the level, or existence, of human efficiencies cannot yet be assessed with any reasonable level of certainty. Many of the efficiencies ultimately deriving from the creation of a parallel system of administrative services may not be realized until sometime in the future.

In this section we have told the story, as far as we know it, of the development and implementation of the Higher Education Administrative Efficiency Act. Our motivation for engaging in this study was primarily our interest in knowing more about the effects of the Act on higher education in Oregon; we were not guided by any particular theoretical framework. However, it seems appropriate, at this time, to reflect on what we have found so far and to provide links to theory where that might be possible. In doing so, we hope that the understanding of this process is enhanced. In the next two sections, therefore, we extend our meaning making by, first, linking our study to some theoretical frameworks developed by others and, then, offering some (admittedly-risky) generalizations—in the form of implications—regarding large-scale higher education reform efforts.

### **Links with Theory**

In developing their own, parallel system of administrative services, OSSHE has effectively created an administratively *redundant* system (Miranda & Lerner, 1995). Such systems have been studied in public contexts other than higher education. Likewise, the implementation of administrative reform in the public sector has been explored by numerous researchers. In this section we link our findings to some of the existing policy development and implementation literature. We discuss these links in the same order as presented in the previous section: (1) the development of the Act, and (2) the implementation of the Act.

### **The Development of the Act**

Many of our initial findings regarding the development of the Act are consistent with "redundancy theory." Redundancy theory holds that when more than one organization is used to deliver the same services, a redundant system is created

(Miranda & Lerner, 1995). Hence, a redundant system of administrative services was created when the Oregon Legislature passed the Act (both DAS and OSSHE now operate personnel, purchasing and contracting, travel, printing, and facilities management systems). Our study found that four categories of factors (financial, social, and political factors; widespread dissatisfaction with the status quo; supportive internal leadership; and timing) contributed to the need to develop a redundant system of administrative services for Oregon public higher education. Other researchers have found that similar factors have contributed to the development of redundant systems in other public service contexts.

Miranda and Lerner (1995), for example, have argued that redundant systems of administrative services in large American cities can "increase organizational efficiency, effectiveness, and reliability" (p. 193). This is particularly true when redundant systems are used to "avert monopoly outcomes" (p. 199). In the case of Oregon public higher education, we found that averting monopoly outcomes associated with operating under DAS was a substantial factor that contributed to the development of the Act. As discussed above, the vast majority of respondents expressed frustration with inflexible processes involved in administrative areas such as purchasing and contracting, travel, and facilities management. The term "monopoly" was used frequently by respondents to describe the relationship that exclusive state vendors had with OSSHE under DAS. Now, however, OSSHE is free to shop comparatively for all of its administrative needs, a benefit contemplated by Niskanen (1971) when he suggested that redundancy in the delivery of public services "promotes increased efficiency through increased competition among service providers" (p. 195).

Additionally, Landau (1969) offered redundancy theory as a means of creating greater reliability within organizations, stating that "the probability of failure in a system decreases exponentially as redundancy factors are increased" (p. 350). Multiple providers of services, Landau argued, could better insure service delivery when a system fails. As discussed above, by the early-1990s, Oregon was facing several financial, social, and political factors that threatened the delivery of many public services, including higher education. By developing a redundant system for delivering administrative services, OSSHE now has the flexibility to respond to these factors in ways that help insure its ability to deliver high quality, low cost public education and, at the same time, increase its reliability in a way that is consistent with Landau's thesis.

Similarly, Wexler (1993) argued that redundancy in the delivery of public education is critical to an organization's ability to respond to "environmental changes" such as dramatically decreased funding. When organizations face periods of change, administrators should not treat redundancy as "a factor arising from sloppiness, waste and systems neglect, but as something that must be carefully and judiciously built and maintained to operate a cost-efficient organizational system" (Wexler, 1993, p. 16). The environmental changes (discussed above) facing Oregon public higher education, we found, necessitated the development of a redundant system of administrative services. Virtually every respondent cited the inability to adapt to the changing environments as critical to the recognition that OSSHE needed to control its own operations. Thus, our findings are consistent with

Wexler's thesis that redundant administrative systems can provide increased organizational flexibility and adaptability.

Finally, we found that supportive leadership was a critical factor to the development of the Act. Many respondents cited the "commitment to change" by OSSHE leadership in general, and the leadership of the Vice Chancellor for Finance and Administration in particular, as the most salient factors leading to the successful enactment of the legislation. This perception is consistent with Birnbaum's (1992) finding that academic leaders who are perceived as "committed" are often perceived by their constituents as a critical factor in achieving institutional change. Throughout our study, respondents expressed satisfaction and gratitude toward the persistence of OSSHE leadership in attaining the autonomy provided by the Act. This perceived supportive leadership, Birnbaum (1992) suggests, is a key to developing the level of constituency "buy-in" necessary for substantial organizational change within academic institutions.

### The Implementation of the Act

In addition to the various efficiencies discussed previously (financial, human, and subtle), the implementation of the Act produced other findings consistent with existing literature. Specifically, our initial findings suggest that the implementation of the Act has resulted in large "up-front" costs to the campuses, as well as disparity between how upper- and mid-level administrators perceived the "human efficiencies" of the Act.

#### *Up-front Costs*

As discussed above, implementing the Act has resulted in considerable up-front costs to the campuses, primarily in the form of staff training. The necessity for professional development around the implementation of large-scale administrative reform is not a new revelation. However, Fuhrman (1993) suggests that in the context of educational administration, professional development is often the overlooked component of coherent, system-wide change. Indeed, the amount of training required in the personnel department of one OSSHE campus led one administrator to say: "Right now, we can't even think about saving money because we're dumping so much of it into staff development around the new policies." Another campus personnel administrator echoed those sentiments, stating: "we had no idea that it would take this many resources to come up with a new way of doing things." Thus, the respondents made it clear that OSSHE may have overlooked, or under-emphasized, the amount of professional development necessary to implement this comprehensive administrative reform. In either case, our preliminary findings reinforce the importance of professional development to the successful implementation of large-scale administrative reform in public higher education.

#### *Disparity in the Perception of Human Efficiency*

Because the respondents came from multiple administrative levels within OSSHE, we were able to draw our initial findings from many different perspectives. One particularly notable finding involves the disparity between how mid- and

upper-level administrators view the "human efficiencies" resulting from the Act. Human efficiencies incorporate things other than financial efficiency, such as increased pleasure, security, or other human values that result from organizational change (Boulding, 1978). As discussed above, we found that the "street level" respondents—"those who interact directly" with the implementation of public policy (Lipsky, 1980, p. 3) perceived no increase in human efficiency, but instead, perceived the Act as diminishing human efficiency because of the increased responsibility associated with the "pushing down" of decision making. This perception is in stark contrast to the view held by most respondents from the upper-level administrator category. The upper-level respondents consistently expressed the perception that the Act had increased human efficiencies at all levels of administration, and that "street-level" administrators viewed the "pushing down" of responsibility as "validating" or "rewarding." This disparity is consistent with what Osborne and Gaebler (1992) view as the need for public employees to get closer to the effects of their policies. Upper-level administrators may be so far removed from "street-level" implementation that their views are somewhat distorted. One "street-level" respondent summarized the possibility this way:

I used to work in the Vice Provost's office, but I just began to feel detached from what we're doing [in public education]. I took this job [as a department level office manager] because it keeps me close to what's really going on around campus, and I can see the results of what I used to do in the Vice Provost's office.

Because the Act is so new, it will take further study into this initial finding to better determine what level of human efficiency, if any, has been achieved.

### **Summary of Conclusions and Implications**

Earlier, we stated that this paper is a "status report" of our preliminary examination of one state's effort at reforming the administration of public higher education. Although our findings are offered as tentative, we believe that we have already argued above for some important conclusions. To summarize, regarding the development of the Act, we found four factors (the presence of financial, social, and political factors, widespread dissatisfaction with the status quo, supportive internal leadership, and timing) primarily responsible for the need to reform public higher education in Oregon. Moreover, in light of the work of others, many of these factors have also been found to contribute to the need for developing redundant systems of administrative services in other public administration contexts.

Additionally, we found some increases in each of our categories of administrative efficiencies (financial, human, and subtle). Most of the initial financial efficiencies came when little or no staff development was necessary to implement the reform. These efficiencies were limited, however, by the tremendous need of campuses to provide staff development around the new policies and procedures under the Act. Therefore, we are able to reinforce the proposition found in other research areas that professional development is an essential part of the successful implementation of public policy. Finally, we found

that in the early stages of implementing the Act, there is a wide disparity between how mid- and upper-level administrators perceive the resulting human efficiencies. Street-level administrators view their new responsibilities under the Act as detracting from human efficiencies, while upper-level administrators view the increased autonomy under the Act as a positive contributor to human efficiency. These conclusions, however preliminary, suggest several implications that may be important to administrators in public higher education.

First, the Oregon experience reinforces the need to communicate effectively between *all* levels of system administration. System-level, middle-level, and lower-level administrators have markedly different perspective about the successes of implementation. Recall our street-level respondent who indicated that “there’s just a lot of unanswered questions right now, and neither [the campus] or the system are doing much to communicate with us.” The absence of system-wide communication around administrative reform left many street-level staff feeling confused about their new roles, particularly regarding the increased individual accountability associated with “pushing down” organizational decision making. Increasing communication—our respondents felt (and we believe)—could increase human efficiency by clarifying new roles and relieving much of the anxiety caused by the administrative reform.

Additionally, increasing access to staff development activities was frequently cited by respondents as critical to successfully implementing the administrative reform. This was particularly true among the street-level administrators, one of whom stated:

[The University] is doing a lot of staff development things—I’m always getting an email or memo saying “sign up for this activity,” or “sign up for that workshop,” but I just never have the time. It seems like most of the training is happening during the middle of my day, and I just can’t leave what I’m doing for two hours. It would be nice if we could do some of [the activities] in the morning. Or better yet, maybe they could give us release time.

Designing staff development around convenient schedules seems like an obvious recommendation to any organization reforming its administration. But many of our respondents felt that this aspect of implementing the reform was overlooked. As a result, much of the training provided to system and campus staff went under-utilized and many staff members may not have received adequate training in new policies and procedures.

Finally, a common perception among the upper-level system and campus administrators was that they needed to exploit available technologies more and, that by doing this, many of the difficulties and anxieties experienced by street-level administrators could be alleviated. For example, one campus Vice President said:

I would like to see if we could put all of our new procedures on CD-ROM or the mainframe so that people could get instant answers to their questions. They could even access it from home. We could also

put some of the [staff development] literature there, so the staff could get that too.

Another campus Vice President viewed technology as a means to help street-level staff manage their new responsibility. Noting that he had just visited a computer software exhibition, the Vice President stated:

There is so much going on now with software that helps people be better managers. Some of the new tasks we're asking our departmental managers to do can be automated, and there's no reason for them to be overly concerned. Let's let the computers do the work—if they can—and free the managers to do more important [education related] work. That's really what this Act was all about—freeing us from unnecessary work and allowing us to get on with our mission of educating students.

Thus, it was clear to many respondents that technology was not used to the level possible which might ease many of the difficulties associated with implementing the administrative reform. It seems likely that exploring different technologies in order to assist in the reform of public higher education administration may be a particularly useful activity.

The implementation of the Act is still unfolding. Much of the significance of this particular effort at administrative reform is yet to be determined. What we have learned to date, however, has provided a basis for better understanding the development and implementation of this particular initiative aimed at increasing the administrative efficiency in public higher education.

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