



TECHNISCHE  
UNIVERSITÄT  
WIEN  
Vienna University of Technology

# Effective Corporate Governance and University Culture

Mag. Dr. Paul JANKOWITSCH

Vice Rector for Finance Management and Controlling

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The modern definition (Business Directory e.g.) calls it

the framework of rules and practices by which a board of directors ensures accountability, fairness, and transparency in the firm's relationship with all its stakeholders (financiers, customers, management, employees, government, and the community).

## Why is it necessary?

Organisations need a clear steer and CG is an appropriate and effective way of running complex organisations.

## The CG-framework consists of ...

- explicit and implicit contracts between the organisation and the stakeholders for distribution of responsibilities, rights, and rewards,

The CG-framework consists of ... (continued)

- procedures for reconciling the sometimes conflicting interests of stakeholders in accordance with their duties, privileges, and roles,
- procedures for proper supervision, control, and information-flows to serve as a system of checks-and-balances.

## Universities are special organisations ...

„Bildungseinrichtungen des öffentlichen Rechts, die in Forschung und in forschungsgeleiteter akademischer Lehre auf die Hervorbringung neuer wissenschaftlicher Erkenntnisse ... .. ausgerichtet sind“. (Austrian UG 2002)

„Um den sich ständig wandelnden Erfordernissen organisatorisch, studien- und personalrechtlich Rechnung zu tragen, konstituieren sich die Universitäten und ihre Organe in größtmöglicher Autonomie und Selbstverwaltung.“ (Austrian UG 2002)

## Consequences of UG 2002:

- Universities need some kind of CG.
- The principles of organisational science and management best practice are applicable and have to be applied.
- Corporate Culture is, according to empirical management research, the most critical success factor of long-term sustainable organisations of any kind (by any criterion like bureaucratic, very informal, military or religious, profit-oriented or not).

**To what extent is the university corporate culture promoting and/or disabling an effective CG?**

## Definition of CC (Business Directory e.g.)

“Pervasive, deep, largely subconscious, and tacit code that gives the 'feel' of an organization and determines what is considered right or wrong, important or unimportant, workable or unworkable in it, and how it responds to the unexpected crises, jolts, and sudden change ...

Organizational culture is the sum total of an organization's past and current assumptions, experiences, philosophy, and values that hold it together, and are expressed in its self-image, inner workings, interactions with the outside world, and future expectations.

It is based on shared attitudes, beliefs, customs, explicit or implied contracts, and written and unwritten rules that the organization develops over time and that have worked well enough to be considered valid ...”

It manifests in ...

- the ways the organization conducts its business, treats its employees, customers, and the wider community,
- the extent to which autonomy and freedom is allowed in decision making, developing new ideas, and personal expression,
- how power and information flow through its hierarchy,
- the strength of employee commitment towards collective objectives.

# Corporate Governance and Universities – first resumee

- Universities are special organisations (reflecting country/ regional culture), but need the same effective CG as any other target oriented organisation.
- CG is country by country legally determined and in the best European tradition very diverse – need for harmonisation.
- Effective CG is strongly dependent on the „corporate culture“ which is the most critical success factor of long-term sustainable organisations.

- „**Core business**“: research based higher education.
- „**Business model**“: non-profit oriented, although there can be significant third party projects.
- **Employees**: group of highly creative individualists (scientists) as well as administrative and service staff (coming from a highly bureaucratic background) have to put up with an organisational CG-structure like a public company.

# University development in Austria

Prior 2004: non-autonomous, sub organisation of  
administration and ministry with a respective  
behaviour.

Post 2004: autonomous, new management challenges  
(e.g. costs, stronger competition  
between organisations and for funding)  
and tougher accountability.

In both scenarios there is a need for „we feeling“ at university level instead of „little kingdoms“ and necessity to optimize, reduce „business with ourselves“ and to allocate scarce resources strategically.

- Main shareholder: Republic of Austria/BMWF.
- University council as supervisory board (nomination by the ministry as well as the university).
- The rectorate as management team.
- The external auditor as critical observer.
- Other stakeholders, like students and scientific staff, are not directly represented in CG structure, but have their representation and influence particularly in the field of education and teaching in the senate. General service staff is represented by way of a customised codetermination system.

## Business type organisations:

General Assembly – Supervisory Board – Management

External Auditor

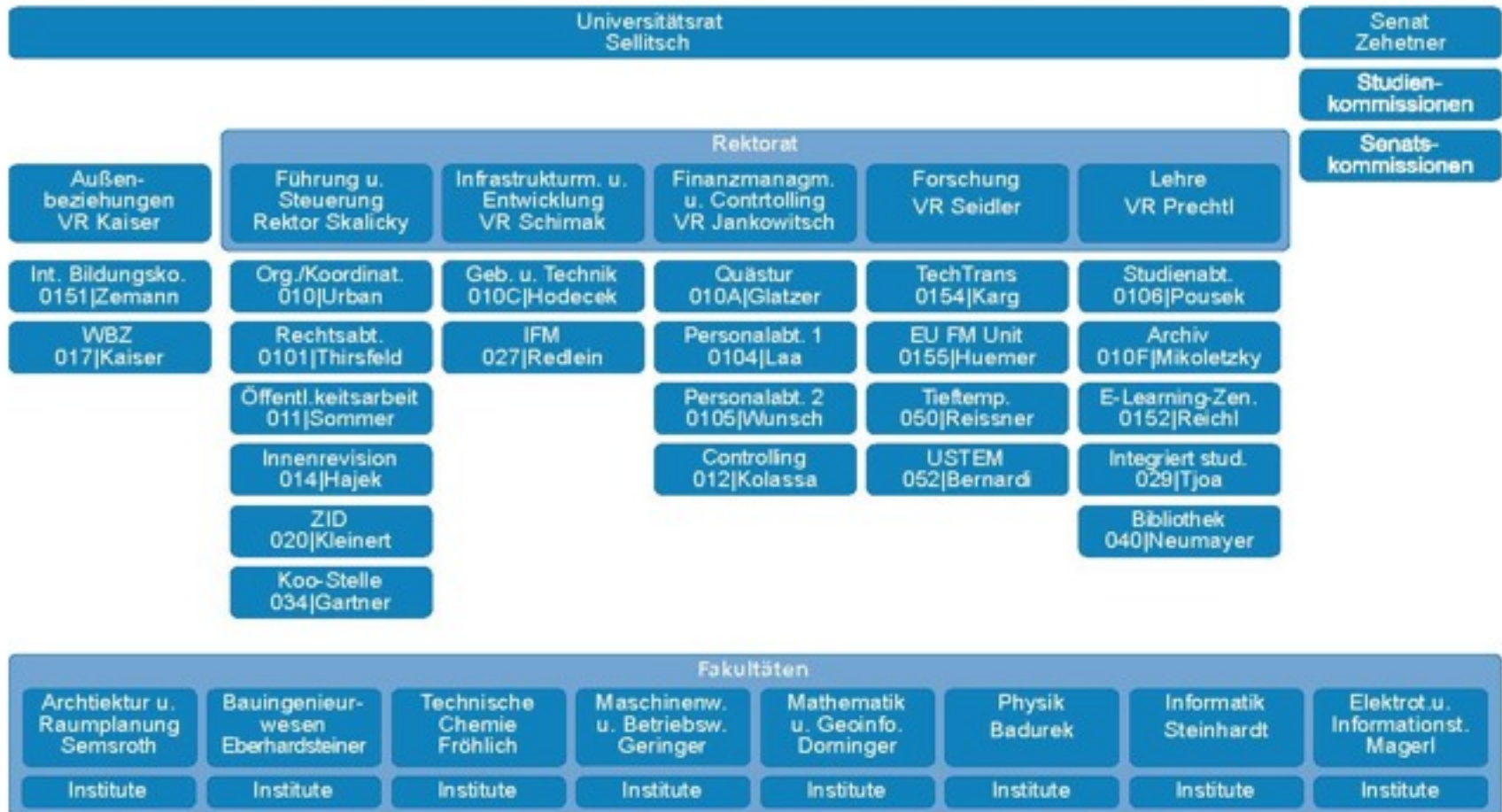
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## Universities:

BMWF (Ministry) – University Council – Rectorate – Senate

External Auditor/Austrian Court of Audit

## Organigramm der Technischen Universität Wien



# Promoters of Corporate Culture

- Freedom of science and teaching.
- High level of idealism.
- Striving for excellence (individuals as well as university).
- Internationalism and cross border work (international network is more important than local organisation, i.e. university).
- Very intelligent people (rationality) versus patchy emotionality.
- Diversity.

- Egocentrism versus „common spirit“.
- No clear reporting lines.
- Increasing competition among scientists.
- Foggy perspectives for young scientists.
- Increasing „bureaucracy“ as universities are now autonomous (e.g. leadership and management issues need to be handled, complexity has its price, IPR and technology transfer, etc.).

# Effective Corporate Governance

## – second resümee and outlook

- In general, CG is working well. The alignment between the scientific community and the service units in the framework of a clearly defined strategy (e.g. Entwicklungsplan der TU Wien) embedded in an overall funding strategy for Austrian universities will be further improved.
- „The first five years“ of autonomy were well mastered (process design and proper financing would help and reduce frustration and cynicism).
- „We feeling“ at university level (unité de doctrine) must grow.
- Internal organisation needs optimization (leadership, HR policy, cost management, clear reporting lines and IT support).
- Necessity of a sustainable financing perspective for universities in order to perform as power plant of research based knowledge and innovation.