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**Radical change goes underground: Performance-based budgeting in
French Higher Education**

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Radical change goes underground: Performance-based budgeting in French Higher Education

Introduction

The French system of higher education has always been perceived as strongly conservative. In 1968 it had to be “vigorously shaken up” for a real reform to be generated. However, this reform was more advocated by users than by French academics. Thus, university autonomy was not freely chosen. Central higher education agencies kept a very tight grip in the handling of finances, of teaching and administrative staff, or of public realty. Similarly, diplomas being national, they were assessed on this account. Ever since, numerous reforms have been unsuccessful in curbing these constraints. It appears however that the LOLF¹ could bring hope for a firm national stand on the management of French universities.

Paul Cézanne University Aix-Marseille III (UPCAM), which “had the opportunity” to experiment this LOLF as early as 2004 and to operate in its framework in 2005, witnessed prevarications in the national process – mainly when it came to finances and even more so to modes of negotiation. This process was to be grounded on managerial methods from strategy to result assessment. It gave the hope of a clear definition of national strategic aims which were to be declined in French universities – but this did not happen. It was to include sector-wide performance-based negotiation - but our experimentation did not allow us to put into practice. Once again, the discourses about competitiveness, poles of excellence, relevance to the needs of society obscured the effective use of performance in sectorial regulation (Bouckaert 2005). Still, the LOLF succeeded to largely modify behaviors and work methods within our university.

In this paper we use a discourse analytic methodology to investigate the nature and impacts of the LOLF reform in experimental establishments. Is this just another management tool, or is it radical change? If the latter is true, then how can organizational adjustments develop into wholesale change?

Our paper is organized as follows. We begin the following section with a discussion of organizational archetypes and the ways in which, combined with narrative analysis, they may account for both the type and pervasiveness of the change under study, and for the mechanisms which underlie the success of change. Next, we expose the organizational archetype that dominated French universities for the last 40 years and present the potential challenge that the LOLF reform represents for university operations and management. We develop in the final section a more complete account of intraorganizational dynamics during UPCAM’s LOLF implementation and focus on the systemics of PBB adoption and its eventual development as a full-blown reform.

¹ Organizing Law over the Laws of Finance or *Loi Organique sur les Lois de Finance* (LOLF). A dedicated website is proposed by the Ministry of the Economy, Finance, and Industry at the following address: <http://minefi.gouv.fr/lolf>

Methodology

The organizational puzzle addressed by this article calls for the design of a research method that may both diagnose and categorize patterns of organizing, and propose explanatory theories for the internal dynamics that make the substance of their evolution. We opted consequently for a twofold approach of our case study, based on the neo-institutional framework of organizational analysis on one hand, and narrative analysis on the other hand.

Organizational change can be appraised according to institutional (Hirsch and Lounsbury 1997) and neo-institutional theories (DiMaggio and Powell 1991, Greenwood and Hinings 1988, 1993, 1996) thanks to their core concept of organizational archetype. The tenets of this research current hold that the diffusion, adoption, and stability of organizational forms are governed by the limited variability of archetypes. These are justified and fostered by the institutional sector at a given moment, and may be adopted by actors as an organizing pattern. According to this framework, an organization's shift from one archetype to another supposes radical transformations, whereas its evolution and adjustments within a same and unique archetype defines a case of incremental change.

Basically, an archetype is a dual conceptual construction that includes the structural arrangements of an organization (design) and its underlying interpretive scheme. Both notions are suffused with the idea of harmony or congruence. Design elements such as structural attributes and processes must be mutually coherent in order to guarantee efficient operational activities. For instance, in their study of professional audit firms organized as "partnerships", Cooper et al. (1996) initiate archetype description across three organizational systems (management control, marketing and financial control and operational control) and two structural features (differentiation and integration). Based on the concept of partnership and professionalism (P2), these audit firms favour strategic decisions of a consensual rather than directive type, and incremental strategy-making, with little use of thorough environmental analyses and diagnoses. The financial goals are clearly defined at business-unit levels, thus conferring significant autonomy and responsibility to owner-managers. Operational control is decentralized, the quality of work and of client relations being guaranteed by the selection, training, and promotion of partners. Roles are mostly defined by the partners' personal interests, instead of a formal and coordinated division of the work. Finally, the integration and coordination of activities are guaranteed essentially by routinized scheduling, as well as budgets and professional standards and norms.

The coherence of organizational design or architecture is conditioned however on whether the members of the organization accept or tolerate a set of values and beliefs which compose its underlying "interpretative scheme". This second feature of archetypes transpires through agents' activities and holds together the organizational structures and systems. For instance, the above-mentioned P2 archetype (Partnership and Professionalism) translates the partners' status as owners-operators into governance values which emphasize partnership, autonomy and participative democracy.

Archetypes play a major role in this research. They mirror the gradual evolutions of UPCAM's organizing patterns with each step of the change process and provide the elementary constructs that make the substance of causal analysis. Our exploration of documentary and interview data retained as significant elements of structural design the strategic control and decision-making systems (policy assertiveness, the analytical emphasis of decision-making processes, information systems and integrative devices, transparency), Human Resource systems (recruitment, career development, rewards), and structures

(operating control, differentiation, and integrative devices). Interpretive schemes included values and beliefs about organizational purpose and domain, governance principles, and ideas of organizing and self-evaluation (see Table 2).

Narrative analysis is our main source of explanatory theory. Although there is generally pessimism about social causality as a workable concept when it comes to human behavior, data sources may replicate relative truthfulness (Miles and Huberman, 1994). Actors' interpretations and reconstructions of reality are considered valuable by constructivists for their social utility (Allard-Poési and Maréchal 1999), whereas the supporters of narrative positivism consider that "narrations or stories capture the processes of social reality and these narratives can be analyzed by a rigorous application of methodological rules" (Stevenson and Greenberg 1998, p. 743). Moreover, the various forms of narrative analysis are recognized for their "desire to link events to other events, determine what events precipitated other events, and produce consistent inferences" (Stevenson and Greenberg 1998, pp. 743-744). Without pursuing the formal mathematical logic of Event Structure Analysis, we sought to identify in transcripts -and display in intelligible schemes- the complexity of interdependencies between events or constructs in organizational change.

Our narrative analysis included the following steps:

1. development of a pool of constructs which are potentially relevant to change progress or achievement. We retained changes in the structural and cultural constructs of university archetypes. The analysis was also enlarged to the internal dynamics of the change process (motivation, power dependencies, leadership support);
2. expurgation in the causal data base of text fragments on the basis of: a) excessive generality; b) imprecision of concepts; c) contradictory content; e) manifest backward rationalization;
3. retention of causal evidence confirmed by at least two different persons in order to insure minimum consensus (our data description includes however only the illustrations that were considered more relevant);
4. categorization of the interdependencies between concepts or events following Spradley's (1979 in Lincoln and Guba) list of semantic relationships (Table 1). This approach was preferred to the indistinctive "if-then" identification of event dependencies in Event Structure Analyses on account of its superior explanatory capacity.

- strict inclusion – X is a kind of Y.
- spatial – X is a place in Y, X is a part of Y.
- cause-effect – X is a result of Y, X is a cause of Y.
- rationale – X is a reason for doing Y.
- location for action – X is a place for doing Y.
- function – X is used for Y.
- means-end – X is a way to do Y.
- sequence – X is a step (stage) in Y.
- attribution – X is an attribute (characteristic) of Y.

Table 1: Semantic relationships between categories (Spradley 1979, in Lincoln and Guba 1985, p. 340)

For the sake of clarity, relationships were synthesized and combined with the representations of organizational archetypes. Simplified joint displays were provided for each phase of the change process (Figure 1) and different colors were attributed to archetypal concepts according to the moment when these suffered significant change.

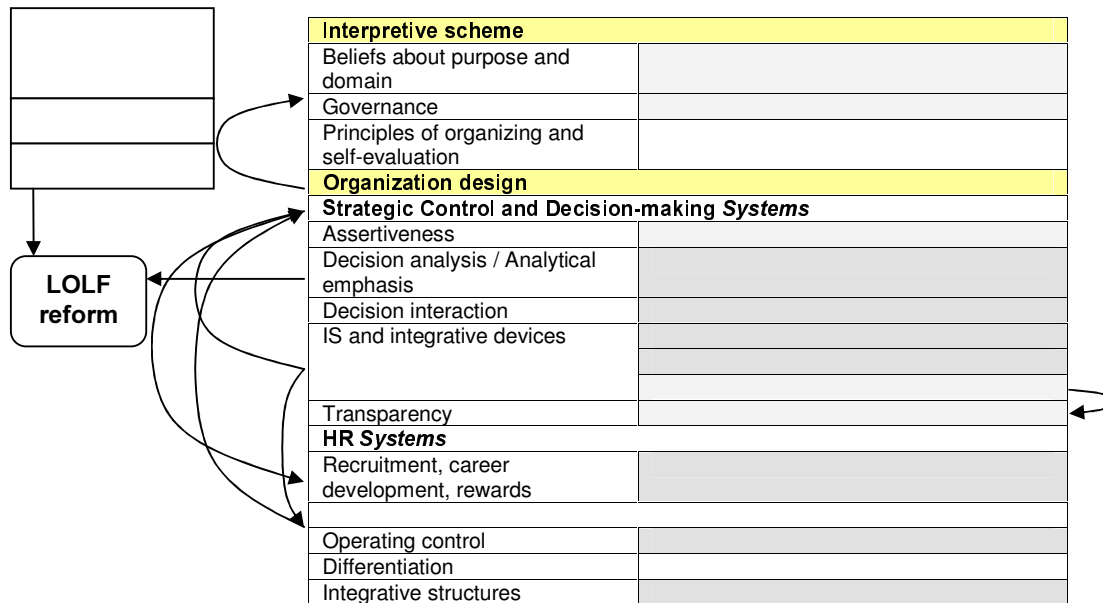


Figure 1: Generic display of the results of narrative analyses

Data collection

Our narrative and institutional analysis is based on three data sources. Firstly, the context documentary analysis consisted of the study of laws, decrees, and reports concerning directly or indirectly higher education. For instance, the edict passed on January 2 1959 was the basis of the State's budgetary processes, and thence, of the administrative and financial university procedures up to January 1 2006, when the LOLF came into force. Other laws and decrees² (the 1984 Savary law, the Decree no 94-39 from Jan. 14 1994), and reports (IGAEN, Darréon, 2003; Attali, 1999) were studied in order to identify statements and normative references that dealt with the appropriate domain of higher education, how it should organize and manage itself, and performance expectations. This information was instrumental to the identification of the various interpretive schemes within this particular institutional sector.

Secondly, we performed two series of interviews one year apart with the main actors involved in the recent LOLF reform, thus generating approx. 250 pages of transcript. About 80% of these actors had been with the university for more than 10 years and were therefore able to thoroughly describe the recent reforms affecting Paul Cézanne University. More than half of them had had at some time a leading position (President, deans, directors), or had taken part into the university boards (administrative board, scientific board or student life board). Fruitful data could thus be collected about the successive or competing interpretative patterns or the way they were applied in administrative and operational practice.

Thirdly and finally, we carried out archival analyses. Reports, e-mails, minutes, accounting and financial documents brought about not only descriptions of organizational structures, but also rich narratives accounting for the organization's purposes and the managers' ideas and expectations about the way they should operate.

² French laws are available full text on the governmental website <http://legifrance.gouv.fr/>

Data processing stemmed mostly from content analyses. Their reduction and display was facilitated by the use of Nvivo® software. Organizational archetypes and their evolutions were submitted to 3 governance actors for feedback, discussion, and validation. These were considered meaningful, and agreement was extremely high over the initial Heteronomous Professional Bureaucracy archetype and the final, LOLF-induced one. Furthermore, the interpretation of change mechanisms for the LOLF reform was developed through the analysis of event interdependencies based on interview data. The findings were later reinforced with reciprocal feedback between field data and emerging theories, and numerous illustrations and verbatim quotations.

The dominant organizational design in French Higher Education prior to the LOLF reform

“Understanding the degree and importance of change in an organization's arrangements and the extent to which those changes do or do not indicate a loosening or tightening of attachment to particular archetypes is difficult unless a researcher appreciates not only the broad sweep of prescriptive influences but also the historical position of the individual organization” (Greenwood and Hinings, 1993, p. 1074)

As Greenwood and Hinings point out, our analysis of university change must rest on the identification of organizational forms which prevail in the sector of higher education. In a following section we proceed to a short presentation of the guiding principles of the LOLF reform, in order to make visible the gap between the prevailing university archetype and the organizational values upheld by the law. This in turn will shed some light on this reform's challenges for higher education.

If “the impossible reform” of the French university has been addressed with ritual discourse for some eighty-odd years now³, it is because above its recurrently criticized points it corresponds to an unquestionable reality. The university is deeply enrooted in a structured and structuring institutional sector which hinders change by channelling the establishments' innovative dynamics (Darréon, 2003) or by implementing marginal changes rather than radical transformations (Musselin et Mignot-Gérard, 2003). Or, in a sector where organizational ideas are quickly diffused, the identification of a sole structural form is no exceptional occurrence (Cooper et al. 1996). Our context documentary analysis, interviews and academic literature support the argument that, starting from 1968 at the least universities were dominated by one basic configuration, in spite of increasing technological pressures (ever expanding information technologies), sociological pressures (consumerist users) or legislative pressures (harmonization of higher education at European level).

Table 2 outlines the interpretive scheme, systems, and structure of this basic archetype. We will refer to it as the Heteronomous Professional Bureaucracy (HPB), since the organizational design and interpretive schemes bear a close resemblance with Greenwood's and Hinings' (1993) work on local government and with Mintzberg's (1981) Professional Bureaucracy structure. The archetype layout includes values and beliefs related to the university's missions and goals, to its place in the higher education sector and relations with the Ministry, as well as

³ Compagnon (1988), Areser (1997), Charle (1994), Lucas (1987), even the Caen Conference (1956) or Caullery (1920).

the culture-laden criteria of organizing, evaluation, and performance. As for organizational design, the collected data led us to analyze individually the human resource management and information systems, as well as the performance management and decision-making systems. These structural items have historically been subjected to numerous exchanges, dialogues and regulations with the national authorities of higher education and research and the French Ministry of Finance.

The HPB archetype sees the university as an administrative vehicle for the delivery of essentially disparate services in higher education. It has to combine together the national policies of higher education and research throughout the country as well as defend the republican values of public service. For the sake of a better management of public funds, it is expected to regroup scientific fields with needs and operating methods as diverse as exact sciences, medicine, human and social sciences, etc.

Interpretive scheme	
Beliefs about purpose and domain	Local administration: Guarantor and territorial administrator of the public service of higher education Uphold the republican values: free access to education, equality of chances, secularism, integration, gratuitousness of the public service Commodification rejected
Governance	Variable establishment autonomy Inexistent or ineffective collective strategy Active ministry constraints: regulations, incitement devices, control of critical resources Influential faculties and academic profession
Principles of organizing and self-evaluation	Strong dichotomies between the administrative (establishment) and the professional spheres (faculties) Performance obtained by complete consumption of resource allotments Perfectible management culture Professional practice defined by intraprofessional judgment
Organization design	
Strategic Control and Decision-making Systems	
Assertiveness	Emergent, reactive strategy
Decision analysis / Analytical emphasis	Absence of objective visibility Incremental decision-making, complex systems, politics Temporality of goals conditioned by annual budget cycles
Decision interaction	Insufficient leadership cohesiveness Feeble cooperation, decision compartmentalization based on professional involvement No corporate accountability for goals
IS and integrative devices	Underdeveloped and little automated decision-support systems Absence of performance indicators and control Budgetary accounting
Transparency	Inexistent cost accounting Inexistent practices of depreciation and provisioning Accounting of engaged operations rarely enacted
HR Systems	
Recruitment, career development, rewards	Recruitment, career development, and rewards based on professional qualifications
Structures	
Operating control	Important decentralization Administrative hierarchy and professional autonomy
Differentiation	High (professional groups - disciplines)
Integrative structures	Underdeveloped information systems Ineffective functioning of cross-functional and cross-professional teams

Table 2: Elements of the Heteronomous Professional Bureaucracy (HPB) Archetype in French Higher Education

Engendered by the Faure (12/11/1968) and Savary (26/01/1964) laws, this configuration took on two main historical challenges. First, it was to respond to the contesting student movements of May 1968 and to defend republican symbolic values: free access to higher education, equal opportunities, secularism, integration, free public service and territorial continuity. Constrained to non-selective admission, the university was brutally faced with the successive movements of massification and a student flux soaring from 660,000 in 1970 to 1,470,000 in 1995. While this system used to be ruled by deans at the head of powerful faculties, the needs for a mass management of the higher education system and the multiplication of diplomas imposed the university as a competent level for the administration of public expenses and the defence of public service continuity. Any competition between universities became either undisclosed or rejected. Students were now defined as service users, element which concurs with the rejection of mercantile relations in the educational world.

Although the identity of the university was supposed to be reinforced by its autonomous status as regards the Ministry, the image retained by the actors was quite different. On top of the State's tutelage, the establishment's freedom of action was also undermined by the faculties and the academic profession which largely influenced decisions. For instance, UPCAM's categorization as a "faculty university" can be explained by its regroupment of two powerful faculties, Law and Sciences, which elect their own deans and administrative boards. Moreover, the academic profession largely influenced staff-related decisions through specific procedures for each scientific field. The Ministry remained the main financial backer and managed directly a major share of critical university resources (budgets for civil servants, property, fees calculation, post creation, etc.). Therefore, actors recognized some Jacobinism in the management of the system. While universities were free to decide on their research and pedagogical policies or evaluation modes, the Ministry of Education imposed niggling and restrictive regulations as well as uniform information systems intended for upward reporting and remote management.

These beliefs about purpose and domain are connected to ideas about how the organization should evaluate its effectiveness in discharging its role. The importance of the ministry's role could be used as an argument to leave greater liberty to the profession and the different fields at the expense of an effective collective strategy. This led to a strong dichotomy between operations and responsibilities. On one hand, the university was limited to logistics and management functions which were necessary to professional practice. Presidents did not take on the strong decision-making responsibility assigned to them by the Faure law and still behaved as *primus inter pares*. Mainly, they acted as mediators in internal conflicts and as university representatives. The administrative board – a body which, according to statutes, should bring together the central services of the university and the representatives of the profession -, practiced non-decision, when it did not merely rubber-stamp university projects. On the other hand, autonomy and professional judgment prevailed in management decisions. Each academic felt invested with a public service mission and expected a freedom of action not unlike liberal practice. The primary performance criterion was individually defined as professional competence within each service area. Good performance was the best practice as defined by peers in a disciplinary field. Lastly, there was no such thing as a conception of general management. With governance actors recruited among the teacher-researchers, management and administrative culture were weak and dominated by the simple rules of credit consumption and reporting. This resource-based logic of action assumed that funds were optimally allocated by the central administration and that the university and faculties fulfilled their public service mission by totally using them. On the whole, "everything that had

to do with budget figures used to be disregarded”. As lately as a few years ago at UPCAM, the university budget would be voted for “in about ten minutes” (E2⁴).

The same influences and national constraints which shaped interpretative schemes were reflected in the performance and HR management systems as well as in university structures. Governance was drastically reduced, and proactive and explicit strategies were nowhere to be observed, except in an incremental and retrospective way. It was important for a new dean or president to “have good knowledge of his unit history” (E8) to secure better management practice. Otherwise, as one informant put it: “we stirred the ship at sight” (E3). The national budgetary process was thus replicated. In accordance with the edict of 02/01/59, national budgets were not voted on a zero-base. An incremental process was established by voting every year “en masse” the budgets which were approved the previous years. Only new expenses were carefully discussed and individually voted for, as they would engross “voted services” the following year. Quite similarly, it was extremely rare for a university to decide on the removal of a diploma; only in the case of decisions which affected the allocation of new or extra resources (e.g. for new diplomas) could specific orientations or adjustments be introduced. This lack of hindsight and the absence of any analytical approach to decision-making were reinforced by the fact that the SANREMO algorithm for the allocation of ministry funds was normed as a function of input university variables (number of students, square meters of real estate etc.). In the 1980s, Administrative Boards refused even to classify the post creations they asked from the ministry, leaving it to decide in their place.

Performance management and decision-making were also weighed down by three factors: public accounting, the complexity of the decision-making system, and insufficient transparency. While the private sector uncouples budget and accounting, public rules prescribed budgetary accounting. Accounting and budget were political acts, insofar as they both had to be approved by the parliament. Therefore, at the level of public institutions, budgets were more about authorizing than planning. Budget expenses (credits) could not be used by actors for any other action than the one which was originally set. Any expense planned by presidents or deans (the order-givers) was controlled *a priori* by accountant agents from the ministry of finance (the payers) who made sure the amounts were available and correctly affected to budget lines (expenditure chapters and articles). The actors’ leeway in the year was drastically reduced, and even the modifying budgetary decisions (MBD) only provided limited opportunities for reallocation. The annual sequencing of operations reduced the setting of short-term and long-term goals.

Moreover, the decision-making system was complex and highly fragmented. The articulation of disciplinary and university thinking, the multiplicity of the decision-making centers (faculties, departments, central services), the intervention of the tutelary State through its local representatives (Rectorat), and power diffusion undermined group cohesion and induced political decisions at a standstill. Presidential teams seldom associated deans in the decision-making process; they usually preferred to inform them afterwards or provide them with ready-made solutions. With no common objectives at hand, decisions were compartmented and cooperation low, there was little cohesion in university leadership, and every director had “proprietor” feelings about his credits. University pluridisciplinarity was additional rather than synergistic.

⁴ Text references of the following format -E(figure)- designate information extracted or cited directly from interview transcripts. Figures have been attributed randomly in order to preserve confidentiality.

Performance management was also impaired by the insufficient quantity and quality of information. Firstly, public accounting did not address cost calculations. Up to 1988, it served mainly to the control of budget execution, with complete disregard for depreciation or provisions. It did not account either for the financial (solvency) or patrimonial consequences of the fiscal year. Registration suffered from irregularities: neither commitment accounting, nor the cut-off principle prescribed by the law, were uniformly respected. The activity costs were hidden by postponements. Information systems were hardly developed and automated as far as are concerned operations and strategic resources like staff or finances. Budgetary supervision was seldom implemented, and there were no performance indicators. Besides, university actors, what with their proneness to centralism and will to maintain their leeway and the political character of decisions, seem to have willingly put up with this lack of transparency in financial information.

The organization of universities closely matched Mintzberg's (1981) description of professional bureaucracies. The university fulfilled its duty by relying on two parallel lines – a democratic (teachers and researchers), and a hierarchic one (administrative and logistic staff). The president had to coordinate these two hierarchies; but when it came to teachers, his power could only be exercised through scientific authority or through his capacity to protect their autonomy and provide financial or moral support. In most universities however, the disciplinary axis prevailed in operations. The administrative staff of faculties directly reported to the deans, whereas the central university services (HR, finance, registrar's office) had hardships in maintaining functional coordination and carrying through cross-disciplinary projects. This resulted in equal differentiation within disciplines and between functions (administrative staff vs. teacher-researchers). The integration systems could hardly balance the system. The weakness of information systems, the predominance of the hierarchic relation and the failings of the governance boards highlighted the heterogeneous nature of the university and the tendency of faculties to work in isolation. Integration was further hindered by nationally coordinated HR management. Recruiting, career management, rewards were based on professional qualifications and dealt with by the disciplinary sections of the National Council of Universities and/or in accordance with the statutes of civil servants. Thanks to this system, teacher-researchers became entrepreneurs of their own careers, and were accountable only to their elected peers.

LOLF challenges for Higher Education

The HPB archetype was preserved in French universities – with slight modifications – until the eve of the new organic law over the laws of finance in 2005. This law, whose aim was to fundamentally modify the formulation and the execution of the State's budget, was not specific to higher education. However, as it modified the legislative and administrative framework, it made it possible from an institutional theoretic point of view to consider new interpretative patterns which could be adopted by public institutions. In order to have a better understanding of the challenge that the LOLF reform represented for universities in terms of change, we expose briefly in the reminder of this section the systemic underpinnings of the LOLF using mainly the Application Guides⁵ published in 2004 by the ministries concerned.

⁵ E.g. Le Ministre d'Etat, ministre de l'Economie, des Finances et de l'Industrie, Le secrétaire d'Etat au Budget et à la Réforme Budgétaire, La commission des finances de l'Assemblée Nationale, La commission des Finances du Sénat, La Cour des comptes, Le comité interministériel d'audit des programmes (2004), *La démarche de performance : Stratégie, objectifs, indicateurs – Guide méthodologique pour l'application de la loi organique relative aux lois de finances du 1^{er} août 2001*, La documentation Française, Paris.

These texts show in a prescriptive manner the changes in logics of action and organization forms that the legislators' expectations have distilled in this law.

In a nutshell, the LOLF represents now the new French financial constitution and makes up for the shortcomings of the Edict of 02/01/59 by setting up a true performance-based approach in public management. It was observed in time that, as the public manager was entangled in strict rules about the use of public money, he had few means to know whether expenses were efficient. The low visibility over expenses -due to the mass yearly renewal of "voted services", to their line-item repartition (chapters, articles, paragraphs and subparagraphs), and to the lack of indicators- dismissed from public management the notions of economy and efficiency of expenses.

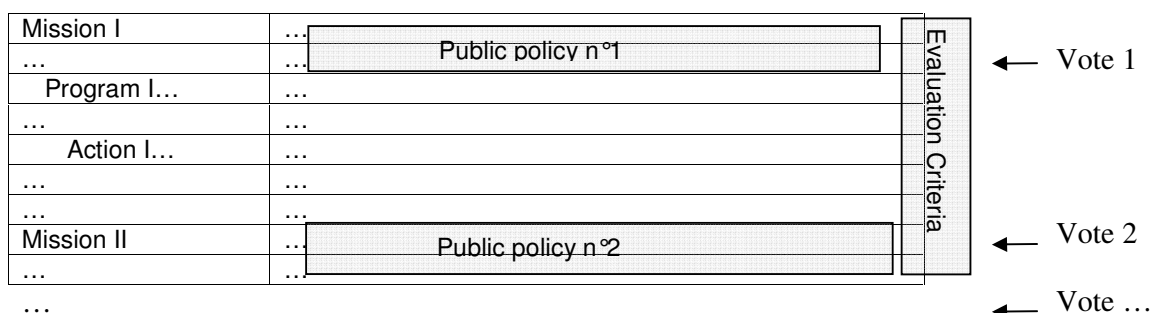


Figure 2: Structure and vote of the State budget (and of its institutions) according to the LOLF

The result of a parliamentary initiative and sanctioned by the nearly unanimous vote of the National Assembly, the LOLF was mainly intended to modify the presentation and vote of the laws of finance. Clearly, the national budget is structured on three levels. First of all, the forty or so missions covering the larger areas of State policy. They are debated and voted on a zero-basis by the Parliament. The missions are apportioned over about 150 programs that set the structure of responsibilities. Each program includes a coherent set of actions entrusted to supervisors by the appropriate ministers. These supervisors receive a packet of global and fungible credits that allow them to choose the best adapted means for their objectives. Moreover, the 500 or so actions detail the outcomes of the programs. The actions are accompanied by a battery of indicators that allow for the first time a systematic evaluation and planning of public policy.

This new structuring favours the double accountability of parliament and civil servants in the elaboration and the execution of budgets. It instates a management dialogue between the two protagonists, which has to be sustained by the reinforcement of information and control systems. Henceforth, the State will expect considerable information on its financial and estate positions. In order for accounts to be « steady and sincere » they will from now on be subject to certification by the Court of Accounts⁶. A clear distinction is made by this law between State budgets and State accounts, and the Parliament is more narrowly associated to budget execution throughout the year by way of notifications on regular credit movements. Amendment rights are enlarged as a member of the Assembly may propose, within a mission, the reallocation of credits among the various programs initiated by the ministries. Also, at the outset of each year's Law of Finance project, annual performance projections and reports will

⁶ The Court of Accounts is the institution exercising external subsequent financial control over the formation, administration, and use of the financial resources of the State and of the Public Sector.

be jointly delivered (presentation of actions, associated costs, objectives pursued, previous results and the expectations for the years to come, measures). Thus, Government and Parliament alike may choose realistically their strategic aims and performance targets.

Although the implications of the law may at first glance appear to be of a technocratic nature, they tend to radically disconnect universities from the Heteronomous Professional Bureaucracy archetype.

Indeed, the essence of the law is to grant more freedom to public managers by increasing in return their accountability. The relations between universities and the actors in charge of the programs of Higher Education will stay on negotiation and the articulation of strategic goals with national policies. The previously normed public funding is to be freely negotiated in agreement with programmed and observed performances, and in comparison to the performances reached by other universities. Internal management latitude is to augment with control shifting from an *a priori* to a *posteriori* approach.

These new rules pave the way for administrations moving from means-based to performance-based logics of action. *In management practice, they are crystallized as the performance-based budgets that universities now have to implement.* Reflecting the definite distinction between budgets and accounts, this tool imposes at a preliminary stage that universities' goals and strategic choices be collectively elaborated and assumed. Unlike budgetary accounting, they have to endorse responsibility for the performances and collective achievements for the first expended euro. They influence operational performances by linking in the long term expenses and performances and by making managers more accountable for their decisions about how to allocate funds. However, their implementation demands better structural integration for decision-making systems. The information systems must be able to provide rich and reliable information on operational, accountant, financial and human resources activities. If we add up these properties of performance budgeting with the law's intention to close up public and private accounting (art. 30) and to make the former provide "an accurate image of the patrimony and the financial situation" (art. 27), we may argue that the LOLF tends to import into the university some characteristics of the corporate bureaucracies (Table 3).

Certainly, the prescriptions of the new law are not the first attempt to reform universities during the last fifteen years. A number of more or less successful changes have already tried to improve their management and left more or less enduring traces (Loi Savary of 1984, the Decree and Ministry Orders of 1994). Our data show effectively that UPCAM's organization was quite close to the Heteronomous Professional Bureaucracy previous to its integration in the experimentation system.

However, the analysis of LOLF implementation in the experimental establishments suggests that employees did not have at the outset a clear glimpse of the importance and pervasiveness of the new reform. The important number of parallel significant changes (Bologna processes, university legal restructuring, 1994 Decree), the experimental character of LOLF in UPCAM, and the unadapted communication policies of the issuing Ministry of Finance appear not to have signaled clearly the reformative capacity of the newest project.

Archetypes	Heteronomous Professional Bureaucracy	LOLF-proposed changes in university design and logics of action
Interpretive scheme		
Beliefs about purpose and domain	Local administration Public Service Commodification rejected	Performance-based competition on resources inside the national program
Governance	Variable establishment autonomy Inexistent or ineffective collective strategy Active ministry constraints: regulations, incitement devices, control of critical resources Influential faculties and academic profession	Increased establishment autonomy and accountability External relations based on negotiation Clearer establishment strategy
Principles of organizing and self-evaluation	Strong dichotomies between the administrative (establishment) and the professional spheres (faculties) Means-based logics of action Perfectible management culture Professional practice defined by intraprofessional judgment	Convergence of operations and logistics for better performances Performance-based logics of action Responsibilization of decision-makers Cross-disciplinarity rather than pluridisciplinarity
Organization design		
Strategic Control and Decision-making Systems		
Assertiveness	Emergent, reactive strategy	Proactive, explicit strategic choices, articulated with the national program
Decision analysis / Analytical emphasis	Absence of objective visibility Incremental decision-making, complex systems, politics Temporality of goals conditioned by annual budget cycles	Better operations visibility Improved decision-making about the most effective way to use limited public resources Non incremental, highly rational
Decision interaction	Insufficient leadership cohesiveness Feeble cooperation, decision compartmentalization based on professional involvement No corporate accountability for goals	Decision-making based on common goals and cross-professional interaction
IS and integrative devices	Underdeveloped and little automated decision-support systems Absence of performance indicators and control Budgetary accounting	Information systems (reporting and supervision) Performance indicators (results-oriented) Performance-based budgeting Financial and patrimonial accounting
Transparency	Inexistent cost accounting Inexistent practices of depreciation and provisioning Accounting of engaged operations rarely enacted	Practice of depreciation and provisioning
HR Systems		
Recruitment, career development, rewards	Recruitment, career development, and rewards based on professional qualifications	A strategic management of posts and skills
Structures		
Operating control	Important decentralization Administrative hierarchy and professional autonomy	Reinforced management control
Differentiation	High (professional groups - disciplines)	High
Integrative structures	Underdeveloped information systems Ineffective functioning of cross-functional and cross-professional teams	Pervasive information systems and reinforced activity of transversal functions (HR, registrar, finance, ...)

Table 3: A comparison of the traditional university archetype with the changes proposed by the LOLF

A diachronic and causal analysis of LOLF implementation at UPCAM

Analyzed retrospectively, the change process architecture includes three phases punctuated by two groups of events in the autumn of 2004 and the passage of 2004-2005. The first phase begins with questioning and uncertainty. Sensemaking and political games are dominant, whereas change interventions are conceived. Communication events mark the first inflection point. They announce the first collective efforts and ministry deadlines. The second phase ends with the transfer to and validation by the ministry of the first performance-based budget (second inflection point). As for the third phase, it continues still. Centered on corrections and further developments, this stage keeps up the innovative and reformatory spirit of previous events.

First stage: preparation

As mentioned previously, Paul Cézanne University became a LOLF pilot site only one year before the law came into force. Due to this exceptional circumstance, the establishment received the visit of an important LOLF delegation that included top managers from both the Ministry of National Education and from the Ministry of Finance. The kick-off meeting lasted one day and was centered on university budgeting and its systemic integration within the national programs assessed and voted yearly by the Law of Finance. University finances were to evolve from line-item to performance-based budgeting. UPCAM would be able to negotiate global budgetary envelopes according to its strategic ambitions and the objectives handed down by the ministry. As a corollary, the university was granted more freedom in internal affairs and to revisit its HR practices and information systems. UPCAM would negotiate global workforce costs rather than job numbers, and part of this could be harnessed and used for fixed capital investments. Also, the university could be immediately granted total management of its contractual teachers and support staff. Recruitment and payment would be handled with no outside intervention. However, UPCAM were to renovate its accounting practices and adjacent information systems and clarify its financial accounts by Dec. 31st 2004. Also, the university should improve its performance management with management accounting and balanced scorecards.

The effectiveness of this special day's communication actions was mitigated though. The size of the audience and the number of speakers incited few open interactions. According to the Human Resource Manager, the heterogeneity of the audience made impossible the optimal adaptation of language and discourse to audience. The message was dense and often technical, accessible only to accounting and finance personnel. It was only after the delegation's return to Paris that deciphering and discussions took place and questions began to emerge. They grew to be a priority for the follow-up of university reforms.

In the aftermath of the "LOLF day", sensemaking was the prime and major difficulty. The president and his collaborators wondered about the direction of ministerial requirements, the necessary plan and interventions, and the university's future. A central notion arose. The heart of LOLF reforms should be management accounting and budgeting. The premises of these systems -account certification and formal strategy making- drew immediate attention.

The first commitment made by the university consisted of accounting and budgeting improvements. University balance sheets needed to retrieve a “certifiable state” by December 31st 2004, in case these accounts came to be presented to an accounting auditor. Actually, although an auditor’s involvement was hypothetical, certification was needed in order to give credit to university management. Performance budgeting would be meaningless had the university accounts reflected insincerely its assets and operations.

The task was prodigious; it entailed a historical check-up of the accounting records of the university and all its faculties. The president decided to install a LOLF Committee and a LOLF manager. The university accounting agent also joined in. Immediate action was taken. The committee started interpreting, elaborating and shaping ministerial recommendations and eventually drew a first draft of the change process. The main items included: (a) the 2004 set-up of depreciation and provisions policies, (b) 100% conformity to accounting norms, especially in what concerned the bills and benefits exchanged by faculties and central services, and (c) the accounting of assets (particularly realty and stocks).

From a narrative analytic point of view, the certification process is recognized by most actors as a requirement or step in the application of LOLF reforms. It is identified either as its “prerequisite principle” (E5) or as its first “technical benefit” (E3). Proceeding by upstream deductions, the actors are brought to question the conformity of current accounting practices (charging, the separation of yearly exercises, commitment accounting, internal debts) and the necessity to adopt new accounting principles (depreciation, provisioning, stock inventory):

“The LOLF imposes the prerequisite of account certification. Or, we weren’t quite neat about budget separation, nor charging practices. When you are in a system of [budgetary accounting] that functions along line credits and maintains few links between the manager and his financier, well, his financier doesn’t wish to be disturbed by continuing supplier claims. If they have a bill, and if the line of expense is closed or novel etc. they will pay nonetheless. They will look for an acceptable line. So, we weren’t that sure about charging. [...] We had to sustain previously a significant effort on the practice of M93 norms; it was as simple as that!” (E5)

“[The LOLF] was the occasion to change certain things... notably to reveal and correct some defaults that characterize most universities, such as fund transfers and registration between the Faculties and mostly [the debts] between the Faculties and central services, as the former got into the habit of using university cash funds.” (E3)

“The reality [of faculty finance] was obscured by many matters, which were not necessarily embezzlements, but rather forgotten historical decisions, administrative tardiness, mutual services incorrectly recorded, etc. [...] we were entrained in a ‘budgetary cavalry’ of the sorts.” (E9)

Nine projects were initiated as a result of internal reports and the remarks of the General Public Bursar. On December 31 2004 university accounts were certifiable, accounting practices were renewed and included provisioning and depreciation, and university finance was reorganized (E8). These induced however further effects on political games and the transparency of university functioning (E1, E3, E5). Most of all, the status of Faculty finances appeared clearly and many flourishing situations turned out to be in the red, creating surprise and calling for delicate political negotiations:

“The application of the LOLF philosophy [...] clearly showed that we were in the red. [...] The spontaneous reaction of the persons [that I informed about it] and were quite aware of this file was to say ‘really, you must be wrong, this isn’t possible, you must call for an audit [...]. Finally, the dean chose the political solution. And this political option was based on transparency, responsibility, and immediate financial reorganization. [...] we informed the university about this situation.” (E9)

Henceforth, transparency as visibility and preciseness of financial political stakes was clearly installed within university functioning and further reinforced by the adoption of performance budgeting.

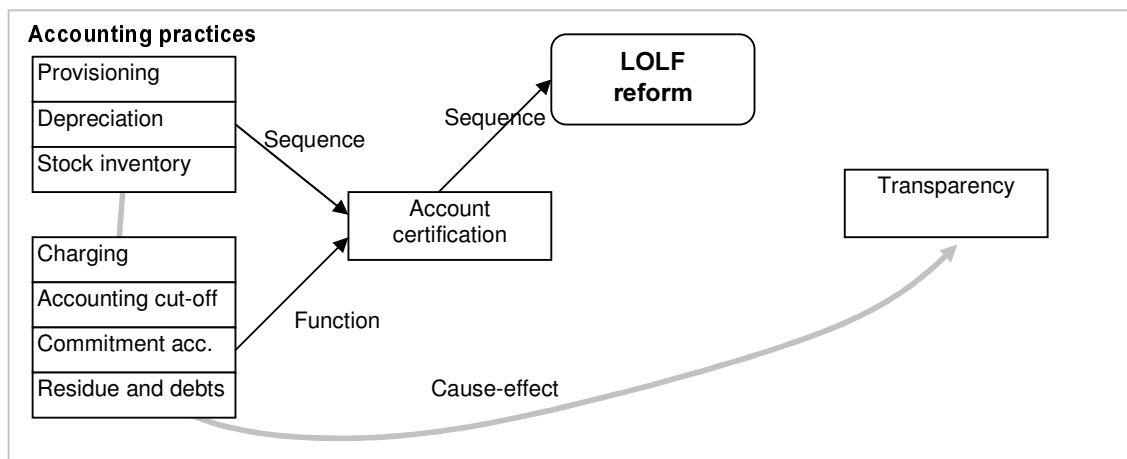


Figure 3: Narrative representations of the cluster “Account certification”

The summer of 2004 was also dedicated to the formalization of UPCAM’s strategy as a prerequisite for performance budgeting.

“You need to define the ‘containers’ before defining what is to be contained. [...] Setting up the container is mainly about budget structure, which started with the definition of a pluriannual university [global] strategy [...] notably the three axes of internationalization, promotion of student life, and pluridisciplinary approach” (E1)

Or, although according to the LOLF the ministry should have negotiated with UPCAM its objectives and budget structure, no management dialogue was initiated before the autumn. In line with university autonomy, the president decided to define this strategy independently, in a configuration that would perennially reform university power games and strategy making processes. Disregarding the statutes and regulations that limit the executive office to merely the president and the vice-presidents, he widened strategy making to all faculty directors and deans, to the university project managers, the secretary general and the accounting agent. The main arguments for the set up of these “government meetings” are based on the new law’s focus on overall university objectives and budget rather than faculty ones (E94), as well as the increasing role of university governance and management.

“In addition to its technical benefits, [the LOLF] has a positive impact on university governance. [...] In universities, there is a double layer of legitimacy. First, the Faculty Deans acquire it by elections. Then, the university president is equally elected. [...] Or, the legitimacy of the Deans induced them to think that, after all, the university’s central services, or the university itself, was external to Faculties. [...] Now, the LOLF allowed to change university governance. It is the content and the procedures that we had to adopt, the global budget that had to comply with LOLF requirements, which allowed saying to the Deans that we were a team, that we defined the strategy, the goals, and the indicators of the university together. [...] It was a means to associate Faculty Deans and to show them that they were *the* stakeholders, [that] they were central to strategy-making.” (E3)

“The constraint was budgetary. And this is the best of constraints to make practices evolve. [...] It induced a significant repositioning of governance actors” (E7)

Subsequently, the university strategy was readily adopted by the Administrative Board, and the government meetings were switched from a formula of irregular brainstorming to that of monthly meetings. Accessorily, these processes induced changes in strategy-making at the faculty level, reshuffled power stakes through a new resource allocation in the university, and reinforced university-centered values (Figure 4):

“Once the overall strategy was set, each Faculty embarked on its internal adaptation and adoption according to the Faculty’s specific situation and objectives, etc. and I think this is a real LOLF influence on university governance.” (E3)

“First, they agreed on their need to work together. In the end, they *are* constitutive of the university” (E94)

“These Faculties are quite different from each other. Nonetheless, they must now, within this public establishment and its public service missions, they must dialogue and work together. [...] There is a

mutualization. And that was seen when the moment came for resource allocations at the end of 2004.” (E5)

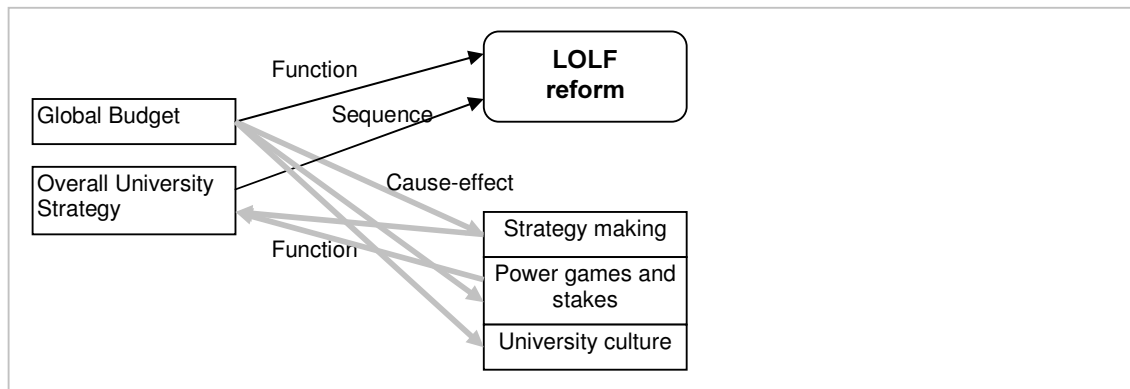


Figure 4: Narrative representations of the cluster “Strategy-making”

Figure 5 summarizes the direct and indirect changes induced in UPCAM’s organizational design and interpretive schemes by the LOLF reform during its first phase. Notable changes are registered in information systems and practices as well as the transparency of management issues as a result of account certification. Strategy-making processes are perennially modified in expectation of performance-based budgeting and university funding procedures. Power games are related to both the shift in governance processes and the revelation of sensitive financial issues at the Faculty and the university level. A collective interpretive scheme emerges in response to the new collective approach of university management.

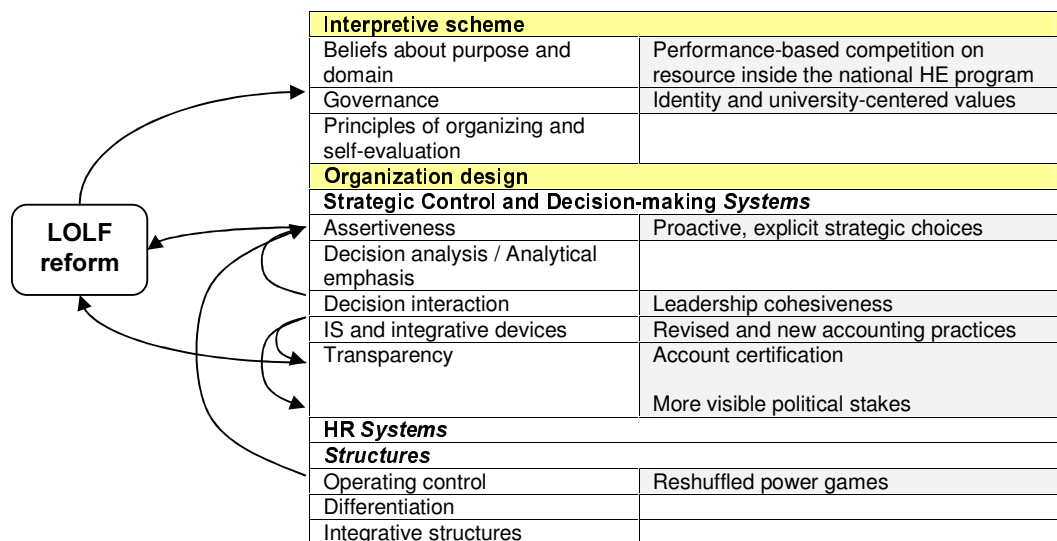


Figure 5: Notable evolutions in university values and structure at the en of the first phase of the LOLF reform

Second stage: LOLF budget formulation

Two major events marked the arrival of autumn and the beginning of a new university dynamic. The two events are the wave of elections in the major UPCAM faculties, and

communication on the new strategy and change. Management's intentions and planned activities gained visibility, triggering debates and, most of all, giving sense to previous events. The personnel reacted positively. The impulse and mobilization created thereof were instrumental in the context of end-of-the-year deadlines.

Essentially, this phase was dedicated to the design of LOLF budgeting procedures and to the effective elaboration of the first performance-based budget of the university. By the secretary general's own words, in 2004 the university "was not ready at all" for these practices. The contrast of the LOLF budget with UPCAM's initial cultural and operational systems pointed out clearly the gap that the university had to reduce. Three factors were recognized as instrumental in supporting the change process. First, the decision of the president's bureau to recruit a person issued from the private person and specialized in cost accounting and management control:

"Management controller is quite a new position in universities. At the last meeting that we had at the ministry with other experimenting universities I was told however that everybody recruited or was recruiting management controllers. It seems to be the latest fashionable post." (E2)

The new employee joined the LOLF manager and university vice-president to create the LOLF Committee. Immediate action was undertaken to set in the analytical budget along a formalized process: (a) the creation of multi-year global strategy, (b) definition of the general budget architecture, (c) procedures description, (d) definition of supports for the budget, and (e) the definition of financial indicators. As soon as the budget would be set into place, the budgetary procedures would consist of: (a) defining the annual objectives, (b) computing the budget, (c) evaluating the indicators, (d) the Administrative Council vote, (e) data reporting to the ministry, and (d) updating. Faculties were associated in a bottom-up manner as first providers of budget provisions.

The president's continuing support for the process was recognized as the second key factor of the change dynamics:

"So it was inevitable for Faculties to work in tight collaboration with the university, as they had to conceive their own projections and LOLF budgets. [...] the junction was secured by the LOLF Committee. [...] However, behind each written guideline, and especially during the meetings, the president was always there. It was like saying 'I am here, this is important, I ask you to be here!'" (E94)

A third factor appears to be the wave of elections that refreshed the management teams of the most influential faculties. The newly elected deans and directors joined in immediately the "governance meetings" and set up within their faculties small LOLF-dedicated teams composed respectively of the assistant deans, the financial assessors, and the faculties' financial managers:

"These persons arrived with, I would say, a certain appetite for institutional management and [...] most of all they had the will to listen, to dialogue, and to understand in their relations with the university. Starting November I think that the university stopped being just another component to their eyes, but rather a place for joint decision and reflection." (E5)

Technically, the adoption of performance budgeting during this phase commanded three main categories of actions: a) the design of the new budgeting architecture and procedures, b) data retrieval and reporting, and c) coordination between university and Faculties. According to Spradley's (1979, in Lincoln and Guba, 1985) classification of semantic relationships, these actions are related to the LOLF reform as steps or sequences, and are recognized as such by the actors:

"The first step was to design the new structure of the university's budget, and then to fill in the values. These value assessments had a more technical nature [...] and we had to deal with absent or very insufficient information." (E5)

"We were immediately involved in LOLF philosophy across the set up of multiple meetings with the president, the LOLF manager, the Deans, meetings that consisted of bringing precisions about what a strategic or operational indicator was, the need to ponder them, what was involved, etc. The aim was to

elaborate the first budgets at the Faculty level and then the university one [...] over a very short interval.” (E9)

Whereas coordination at the governance level was solved operationally by the LOLF Committee and strategically by the governance meetings (c), the two other steps (a and b) revealed a series of needs or deficiencies that called for prior problem solving or evolutions of organizational practices.

The design of procedures was unproblematic, inasmuch as their basis was uncontested (the ministry) and their origin was legitimated by expertise (the LOLF Committee):

“Setting up the LOLF means first defining budget architecture, that is the number of destinations or actions. However we recovered these from the ministry, and only defined ourselves the subdivisions.” (E1)

“We made up procedures for the perimeter, the content, overhead, indirect-cost allocation, etc. the basic stuff of budget implementation.” (E1)

However, the diffusion and application of procedures, especially those related to cost allocation, were significantly hindered by the difficult coordination between Faculty and university support services (E2). In effect, the university was fundamentally defined at the time as a matrix, within which the columns reflected the university hierarchy with its eight Faculties, whereas the support functions were positioned in the rows (registration, paramedical means, documentation, international relations, student mobility, student life, information technology, financial-accounting services, human resources, estate-custodial and general secretarial services). However, the operation of this matrix was soundly dominated by only one of the two management axes: the formal hierarchy inscribed in columns. According to the head of human resources, the various faculty support services were “the personnel of deans and directors” whom also constituted their immediate hierarchical entreaties. Hence, the crossover information systems were deficient or absent and university-level projects were mainly coordinated through hierarchical directions.

“The central HR service is slowly enlarging its action perimeter [...] But in all the Faculties there are employees in charge with personnel. We overlap everything. There is double management for many files. Er, I think there is agent-time to manage.” (E7)

In order to secure reliable data processing, especially in what concerned the cost allocation of ministry paid personnel (public servants), unexpected and sometimes temporary solutions were found. The General Public Bursar (TPG) was solicited to provide precise and reliable information concerning teachers with extra-accountary pay (E7). Also, the HR and finance managers decided to create and support horizontal informal exchange networks. Their reinforcement came through actor specialization; a person gained visibility as the university reference in a certain area (e.g. pay-budget-State) and was regularly called upon by faculty employees. Consequently, reporting procedures were perennially adopted for the internal use of Faculties:

“I keep these cost-allocations up to date, including the extra-accountary State resources [because] the Dean has got into the habit of consulting them. He wants to know how much we consume of State resources, what their share in the total budget is, how much we contribute.” (E92)

“The first practice that they almost imposed on us was the budgetary prevision concerning the personnel paid directly by the Faculty. In the end, the LOLF allowed us to clear up everything, and we enacted a regular supervision of these resources.” (E93)

Finally, the operational development of LOLF changes was made fragile by factors linked to ministerial and internal information systems. The unavailability of information slowed down and discouraged the actions of participants: “when you are daily into it with people who do their best on machines that don’t react, it gets very dispiriting” (LB, secretary general). Besides, despite the obvious need for information systems interoperability, the ministry recommended no reliable systems, making way for uncoordinated university experiments. For

instance, the recent installation of UPCAM's pay software induced durable trial-and-error processes. These problems triggered immediate actions for the acquisition of material and the development of internal software:

"Our main problem in terms of data processing was that no reports were issued by our financial-accounting software. No intermediate balance-sheet, no ledger, no income statement. Well, you had some reports with good figures, but the synthetic data was not reliable. [...] We needed extra software development." (E1)

"We had big difficulties in rapidly obtaining our data reports. And that was the precise moment when we realized that the university needed a business package. At least for the Human Resources. In fact, we are currently purchasing it." (E94)

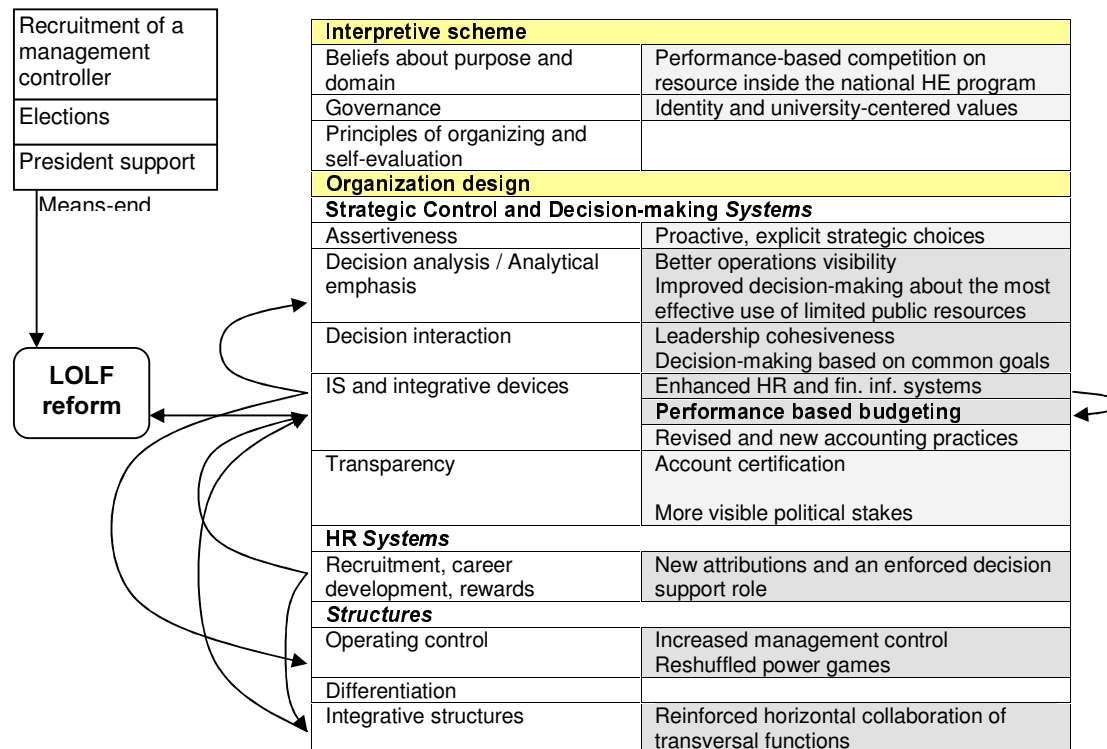


Figure 6: Notable evolutions in university values and structure at the end of the second phase of the LOLF reform

Third stage: end and follow-up...

Starting at New Year, this phase of the reform comes with a partial release from budgetary urgency. Though they occur at different dates, both budgets –the line-item and the LOLF ones- are voted and sent to the ministry. It is time for consolidation and improvement of the new budgetary process: the evolution of practices is analyzed, successes and errors are assessed. Following the ministry's suggestion, UPCAM's reform lessons should be widely disseminated in the sector of higher education.

During this phase, a certain number of significant operational and cultural evolutions were initiated or completed. The fundamentals of public administration were called into question whereas the limits of budgetary accounting appeared more and more clearly. Mostly, it is the

budget's quality as authorizing act and *a priori* control benchmark that is considered to be the source of accounting deviant practices and inaccuracy.

"I told them [the ministry meeting] that they had confused the budgetary and the analytical levels. It would become a source of mélanges that we couldn't afford. [...] [The cost attribution] of one employee for one action is pure convention. This isn't reality." (E7)

The application of new accounting norms is perceived as a tendency to approach the norms of private accounting, with its financial and patrimonial roles, rather than control.

"This is general accounting and quality bookkeeping. If you want my opinion, we apply the norms of the private sector. That is, depreciation, provisioning, stock keeping, and cut-off. [...] if you don't uphold them [...] if you overlap your December and January expenses [...] then you have no visibility." (E94)

Moreover, the performance-based budget lays down the basis for cost accounting and ongoing management supervision.

"All these management issues are taken into account by the LOLF. [...] The LOLF compels us to global budgets and to cost accounting, although we aren't quite ready for that." (E5)

"We already have performance budgeting, and the Faculty [...] will be forced to adopt cost accounting. We've already started working on it." (E94)

"We already have some sort of cost accounting thanks to performance budgeting. But this is only the larger framework. The basic grid. We have finer possibilities with JEFYCO [the financial-accounting software] and the system of subdivisions. [...] For instance, we have collaborated with the library to develop subdivisions for cost-accounting. [...] Somehow, this is a result of the interest for performance management." (E2)

The increasing appetite for management control sparked the interest for completing input and output indicators with process data. It was mainly the control of teaching resources that was considered urgent, as personnel costs rise to approximately 95% of the overall budget (E2, E1, E93). This project was also initiated in a context of (a) increasing complexity of registration following the BMD reform and customized student trajectories and (b) an ever richer information needed for the construction of LOLF budgets. The project manager needed to elaborate the balanced scorecards, define the indicators, define a common vocabulary for the training programs, evaluate and forecast the teaching time, check on the effective time, analyze the gaps and set in corrections.

Balanced Scorecards are, however, the most elaborate expression of the interest for management control of organizational members. The main factors of this sudden interest are the adoption of the LOLF process and the development of information systems. Certain Faculties have eventually increased the frequency of these scorecards.

"If you aspire for performance, then you are also in a logic of decentralization, and the budget becomes the core of the system. [...] If you consider it as a contract, then you may delegate. And place management control at the heart of the system. [...] And this was new to us." (E2)

"They brought a lot of improvements to the software, because JEFYCO wasn't intended for that use actually. Or now, it allows us to obtain budgetary follow-ups instantly. This is important and very useful. And for most budgetary units we have also set up analytical codes to have a finer view of the exercise." (E2)

"Trimestral scorecards are good, but a little shorthanded. We have no problems with it, we enter and analyze the figures easily, but a trimestral interval seems too strewn. [...] The LOLF allowed us to have management control. Since we started to make forecasts, we also had the framework for management control, and we used it to extend scorecards to almost monthly reports in our Faculty." (E93)

These developments significantly increased the analytical emphasis in university and Faculty decision-making:

"A more significant place was given to budgetary decision, to the objectives that we upheld in strategic decision-making. If we were asked for funds unrelated to our 3 objectives, the answer was no, or much diminished than the previous year." (E9)

New financial variables were taken into account and controlled periodically:

“I noticed that these were brand new notions, rollover funds and self-financing. And these we started to monitor. [...] We realized that we could supervise quite closely and accurately university expenses. We now know what we need to isolate, we know where cost cuts must be done, notably in complementary courses, contractual personnel, and overhead. Well, we may know quite everything.” (E2)

These new practices enhanced the capacity of university and Faculty governors to develop new policies and strategic directions.

“The LOLF allowed us to make fairly interesting investment forecasts, notably in what concerns pedagogical equipment. This is our main concern. [...] Moreover, the adoption of depreciations helped us design a real investment policy.” (E93)

The ultimate expression of these developments is the governors’ growing appetite for more university management levers.

“Basically, we realize that the universities will be capable to survive –and this is my political analysis,– if the ministry will let the students pay bigger tuition fees, if the universities are dynamic enough to upgrade their programs, [...] then they will have to join in the international concerto. And this means also that the ministry will have at last to bestow to the universities the capacity to contract credits.” (E8)

Two more contributions are to be noted in the course of this phase. Firstly, a basic requirement of the development of management control, which is further integration of information systems and increased cross-functional collaborations:

“In what concerns the information systems, having a good tool is top priority. The control of teaching resources must be automatized and interfaced with JEFYCO and eventually the HR software. We need a global and coherent information system within the university.” (E2)

“We realized that [the LOLF] had profoundly changed the university’s managerial procedures. We needed to change the previously impermeable HR management and to connect it with Finance, so that we would have for instance an integrated process from recruitment to pay and retirement.” (E8)

More surprising though is the evolution of university values towards closing the cultural gap between administrators and professionals, a gap which is typical of most Heteronomous Professional Bureaucracies:

“The employees noticed changes in their attributions, an increased responsibility, more transparency, an upgrade of the administrative status as equals of political decision-makers. [...] Beforehand, nobody would come and see human resource managers. The same goes for Finance.” (E8)

“The Dean had an appointment with the administrators at the university and he knew that financial issues were on the agenda and he wanted me [Faculty employee in charge with Finance] to be there. [...] Then I have seen them again in the Peer Establishment Commission and this showed clearly that we were there to contribute to management control and decision-making.” (E92)

Many of the preceding issues are the object of ongoing evolutions and improvements. However these trends appear solid enough and soundly sustained by evolutions in managerial practices. Also, they share significant causal links with the previous adoption of performance based budgeting (Figure 7).

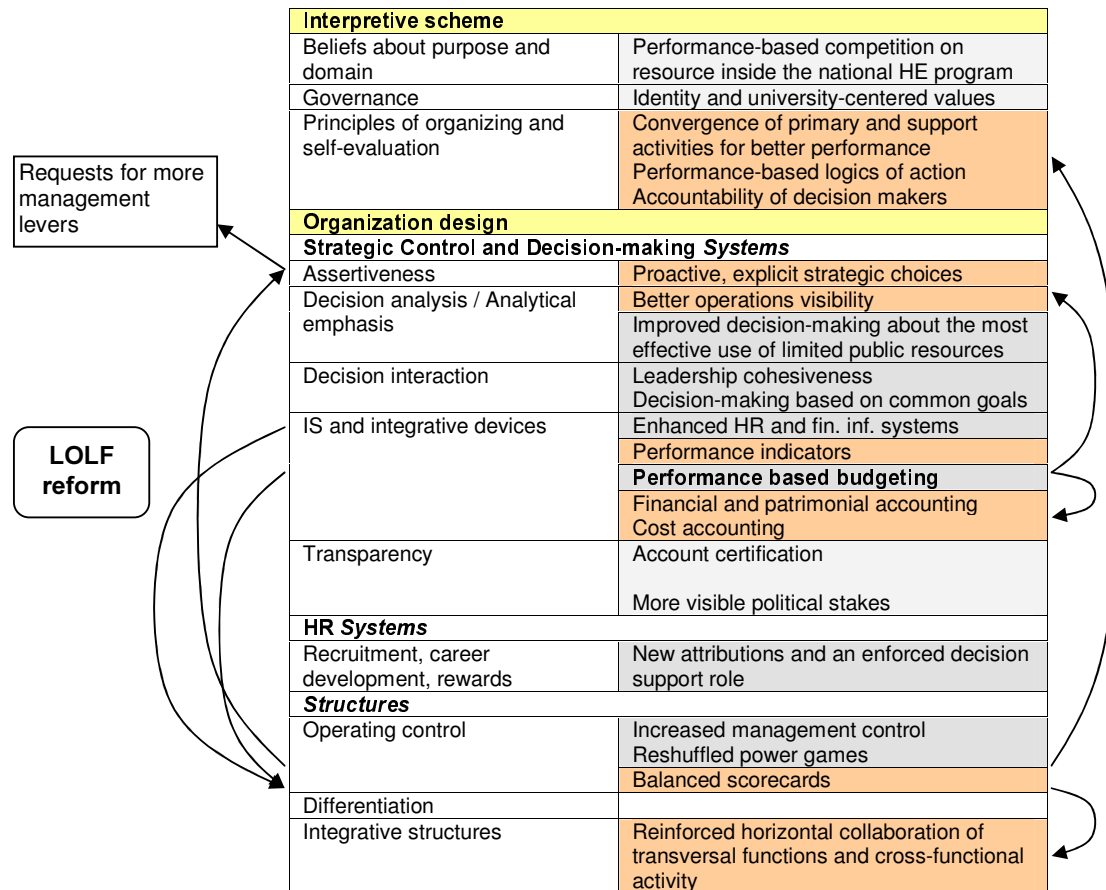


Figure 7: Notable evolutions in university values and structures at the end of the second phase of the LOLF reform

Discussion and conclusion

Radical organizational change has been widely recognized by management literature as an event that reconfigures not only the organization's structures and systems, but also its "profound structures" (Tushman and Romanelli 1985, Sheldon 1980), cultural values (Firsirotu 1984), or interpretive schemes (Greenwood and Hinings 1993). Accordingly, many articles dedicated to the management of this type of organizational transitions recommend intensive interventions during which leadership, communication, and restructuring imply the wholesale mobilization of organizational actors (Kilmann 1989, Nadler and Tushman 1989).

In a previous section we showed that the LOLF reform represented a significant challenge for French universities. Centered on performance based budgeting, this process intended to induce corporate values and structures in decades-old Heteronomous professional bureaucracies. Figure 7 corroborates the success of this endeavor in Paul Cézanne University at the end of the experimentation period. Nevertheless, the change process does not include extensive reform-dedicated communication, training, and socialization, nor intensive awareness-rising sessions. On the surface, the university appears to have changed through daily operations, as management progressively propagated new procedures and management rules.

The amount of work of all organizational actors, university councils, LOLF committee, and “governance meetings” was certainly important. However, it clearly appears in this case that neither direct intervention, nor historical factors can explain completely the successful transformation of a management improvement (the introduction of PBB) into a radical organizational change.

The analyses of the previous section bring forth a possible solution to this organizational puzzle. We argue that the increase in change intensity may be explained by the development of a systemic effect that appears when the adoption of pervasive management tools creates significant dissonance with the initial organization. Our data corroborates the presence of phenomena that we will figuratively refer to as “iceberg” and “entrainment” effects.

The label of systemicity conveys the idea that the set up of LOLF performance-based budgets was the pivotal process for a series of elementary changes that coalesced into full-blown reform. The “iceberg” effect thus refers to the necessity for organizational members to undertake a series of changes in order to generate the favorable, minimal conditions for the adoption of a dissonant management tool. In UPCAM, both the first and the second phase of the change process benefit from these preliminary changes. In anticipation of the LOLF reform, an overall university strategy was conceived, strategy-making processes were reformed, and accounting practices were changed and enriched. Moreover, the installment of these processes commanded the horizontal collaboration of Faculty administrations and reinforced university structures. The obsolescence or insufficiencies of the information systems also called for a renewal of data collection and treatment.

Certainly, all of these preliminary changes were energetically undertaken by university and Faculty employees. We may not evacuate the idea that they benefited greatly from the continuous support of the university president and the set up of collective leadership on top of a hierarchical organization. However, our data corroborates the positive impact on attitudes towards change of employees’ initial sense-making, as these processes were closely related to the LOLF reform in their cognitive maps, and the employees manifested commitment for the reform at the outset of the experimental project.

“Entrainment” was documented by organizational researchers Ancona et al. (2001) as a process that captures or modifies human activity cycles and sets these cycles oscillating in rhythm with other processes, including various social systems, norms, and institutions. In a restricted way, budgetary cycles fostered employees’ motivation for balanced scorecards with a coherent, if more frequent, cycle of data collection and assessment. However, in a larger framework, entrainment also refers to the adjustments and opportunities initiated by the adopted processes. The evolution of the status of administrative personnel with regard to governance processes is the causal development of the analytical emphasis subsequent to PBB. The availability of reliable information on operations and administrative processes such as the finance or human resources opened the way for formalized investment policies. Eventually, organizational inclination for archetypal coherence provided incentive for a greater integration of functional information systems.

A caveat is in order however on the success of the LOLF reform in the overall higher education system. The endogenous dynamics mentioned previously may be considerably slowed down, if not discontinued, by unsupportive external environments. In effect, since the coming into force of the law on January 1 2006, the State has strangely taken several steps back in aligning sectorial regulations to the requirements of the new law.

In France, generally speaking, the renewal of public services and of the policy of State reform aims concomitantly at maintaining the fundamental values of the public service, at improving the quality of the service and at integrating budgetary constraints which are increasingly heavy by investigating the improvement of the internal running of the public service. This purpose is acknowledged by the French system of higher education and Paul Cézanne University in particular has had the opportunity to realize its importance through the LOLF. Still, as initiatives are carried out, they underline the paradoxes of this new public management:

- the will of a centralized State to make universities more competitive, more open to international relations, closer to the business world, briefly, to make them more accountable, while simultaneously reinforcing centralization, and keeping an eye on each local decision;
- the will of the centralized State to make performance central in the management of university systems, but without giving any financial leeway to achieve the goals. Human resource policies are still centralized, tuition fees are still nationally set, the loan policy is still managed by the Ministry of Finances and subsidies are still determined according to an outdated pattern;
- the will of the centralized State to assess scientific, pedagogical, as well as management systems. In this regard, we may again question the definition of evaluation criteria at the national level, regardless of the university's leeway on its territory (are the performance criteria the same for UPCAM as for a university in a mainly rural region?). More importantly, when it has been observed that the university is, to some extent, able to cope with its operating costs after implementing drastic management control, it is still totally impossible for it to finance its maintenance, security, or development investments.

Therefore, along with Bouckaert (2005), we may conclude that the strategic level is paramount for public management to be part of a performance-oriented approach, that internationalization also represents a major opportunity for public management, so that changes are not only confined to one country but concord with others, and so that management, through results and assessment, lies at the heart of the managerial approach of the university system. But for this to be achieved, it is critical for the central and local levels to stand in a confident relationship; this constitutes the grounds for a public organization to legitimately provide the best service for users, staff, partners, and political actors who are to guide us towards the society we all hope for.

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