

EDITORIAL

The challenges for corporate governance in universities in the knowledge era

The knowledge era is distinguished by the existence of rapid, constant, systematic and uninterrupted changes around the world, in the most diverse dimensions of human endeavor. Probably, the most characteristic feature of this era is that knowledge constitutes the essence of progress and development of society.

The creation of advanced knowledge is the basis of technological development and, consequently, it stands as a structural determinant of life expectancy and quality of life. Knowledge is also the most fundamental source of the competitive advantage of nations, organizations and even people, as the connoted Austrian scholar Peter Drucker predicted more than two decades ago.

Certainly, universities play a fundamental role as entities whose mission is the creation and dissemination of advanced knowledge, as well as the formation of advanced human capital. These dimensions are decisive to generate flows and stocks of knowledge, whose main effects converge to the global system of knowledge that provides strength to the development of nations.

A critical element for universities to successfully fulfill their roles is the quality of their corporate governance. In simple terms, university corporate governance can be understood as a set of principles and regulations that guide the design and implementation of the leadership structure in an organization, allowing the balance between the perspectives, positions and interests of the board of directors, the top administration and the university community. A distinctive element in the corporate governance of universities resides in the importance of the faculty, and even of administrative staff and students, in the decision-making processes.

Thus, it should be expected that better corporate governance will lead to better results in university institutions. Therefore, the fundamental challenge entails a correct design of university governance and its satisfactory implementation. This is easy to say, but reality suggests that there are institutions with equivalent legal regimes, and similar academic and economic resources, that nonetheless have significantly different trajectories and results, in a context of corporate governance practices and principles that do differ from each other.

Paradoxically, universities are essential institutions in the knowledge society, but very often exhibit great difficulty in using knowledge to improve their systems, policies, and practices of corporate governance. This syndrome is not new: the literature on universities as organizations has a long tradition of disputing the proposition that universities are, properly, organizations. On the contrary, they have been labelled, for example, as “organized anarchies”, in the famous 1972 formulation by Michael D. Cohen, James G. March, and Johan P. Olsen.

Probably, in 1972 universities could be organized anarchies and survive and still thrive. Today, the environment does not allow this, since systems are more competitive, with high demands for

accountability, and governments expecting more self-financing. Strategic decision making based on intuition alone can be fatal.

Universities today, as always, must create and disseminate knowledge, because this role is part of their mission, especially when knowledge is the essential source of competitive advantage in all areas.

Also, research should permeate undergraduate and graduate teaching, favoring the understanding of the problems that science and technology pose, within a framework of sustainable development. In turn, the generation of innovations both in processes or products is a function universities can't renounce if they intend to contribute decisively to the development of the geographical areas in which they are present, as well as to the country and society as a whole.

However, this is not enough to sustain the development of universities in a path of relevance. Knowledge is also increasingly important for the top management teams in universities. Knowledge is a structural determinant of decision making at different levels and, therefore, management knowledge impacts the definition of the route that the institution will have to follow, influencing, also, the steps that are taken to advance in the delineated path.

Consequently, corporate governments must manage the information and knowledge from the environment, an environment characterized by systematic changes, in which information and knowledge are available on a scale never seen before.

Our main point is that strategic management in universities must guide decisions leading to the definition of goals and the corporate competitive strategy. These strategic decisions are made in an external and internal context, and knowledge is required to make the best decisions. Knowledge exists abundantly in the environment, but the challenge consists of selecting that which is appropriate and relevant to use, share and apply, considering the successful realization of the mission of the institution, including research, teaching and third mission. In fact, it is no exaggeration to assert that good governance is analogous to a fourth function of the university, insofar as it enables the successful development of the other three.

Not all top management teams manage knowledge adequately. Creating knowledge from the information available is a difficult process that requires handling a conceptual anchor and experience to build new relevant knowledge to make the best decisions and adopt the best paths. In the academic and university environment this "background" and capacities are not abundant, nor are they commonly available in all the top management teams, or in boards of directors and academic councils. The resources and capabilities -at the level of corporate governance- for generating knowledge to decide strategically can be a fundamental determinant of success or failure in universities.

It is not enough for a team to create knowledge on management issues. Also, this knowledge must be shared and applied. This knowledge must be shared among the top management teams and applied to solve the strategic challenges posed. Consequently, knowledge management in corporate governance seems to be a fundamental task so that -beyond design- these bodies operate adequately and above all, they adopt the best decisions.

Interactions within a top management team are key, but so is the interaction between different teams in corporate governance. Clearly stated: it is not enough for the top management team to manage

knowledge adequately. It requires instead a process of integration and diffusion of the same with the bodies that represent the principal –such as the Board of Directors– and with the body representative of the university community –as can be the Academic Council– aiming to achieve the best decisions and the best acceptance thereof for their future implementation.

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