

Shifting Logics: Limitations on the Journey from ‘State’ to ‘Market’ Logic in UK

Higher Education

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Introduction

Recent years have witnessed significant political and economic changes in UK higher education institutions (HEIs) with a 46 percent drop in direct funding, other than research, between 2010 and 2014 (Bolton, 2014). As teaching funded from direct government grants will continue to fall by £120 million in cash terms from by 2019-20 (UUK, 2016), tuition fees are expected to make up the shortfall. Further, appealing to a more discerning student ‘market,’ HEIs have to make strategic decisions about their identity and the cost and quality of infrastructure and services. Against this backdrop government policy has supported increasing use of outsourcing in search for efficiencies, however the implementation of this practice has been markedly limited (Elinder and Jordahl, 2013; Policy Exchange, 2010; UUK, 2011).

Drawing on institutional logics, representing deeply held norms, values, and beliefs about what is and what is not appropriate (Friedland and Alford, 1991), we investigate how logics alter the propensity of HEIs to implement this organisational practice. As such, we contribute to a more general theoretical question across the public sector of understanding the adoption of managerial practices depending on the institution’s dominant logic. Our central contribution stems from delineating two ideal-type logics (Thornton et al, 2012) within HE. A state logic engenders practices consistent with collegial governance structures, communities of practice, public goods and organisational autonomy that privileges internal service provision. In contrast, a market logic supports a more managerialist approach associated with a focus on commercial objectives, efficiency, effectiveness, and performance measurement supporting outsourcing (Parker, 2012).

While our findings demonstrate HEIs adhering to the market logic are more inclined to develop commercial-based practices such as outsourcing, our contribution highlights complexity in how organisations enact competing logics. Outsourcing has been limited mainly to peripheral activities segmented from the core (Goodrick and Reay, 2011) and limits to the

extent of outsourcing are evident. Further, a nascent cooperative solution is emerging as HEIs co-opt some of the language and practices of the market to justify new hybrid relationships that marry competing logics in a process of selective coupling (Pache and Santos, 2013).

The significance of our study is not limited to the UK - there is growing adoption of neoliberal quasi-market mechanisms not only in HE sectors around the globe (Naidoo, 2016), but across public sectors, evidenced by the selective coupling and segmentation of commercial and no-commercial activities to manage conflicting market and state logics. Consequently, our study of competing logics also feeds into public policy discourse on increased marketization, apprising the need for governments and policy-makers to contemplate whether market-based mechanisms are always appropriate in bringing about improved performance in public services.

We begin by providing the context for the study and then examine the logics associated with market and state typologies. We examine inter-linkages between these and organisational behaviours to build our theoretical arguments of how institutional logics affect the organisational practice. We then detail our empirical approach before presenting our findings and discussion.

The study context: UK higher education

Increasingly public service organisations have been impacted by policy discourse and organisational practice associated with New Public Management (NPM) (Diefenbach, 2009; Pollitt, 2013). Deem et al (2007) argue NPM redefined the nature and legitimacy of certain forms of public service provision and organisation, justifying extensive use of market-based resource allocation mechanisms and control regimes, and creating a shift in institutional environments in which competition has become the dominant imperative, and a global phenomenon in HE (Brown, 2011). Building on the work of Brown (2013), Johnston et al

(2017) observe that, over the past 20 years, successive UK governments have been driven by market ideology to bring about policy changes in the HE sector shaped by “policy-based evidence” as opposed to “evidence-based policy”. In other words, policy has been delivered and evidence then sought to support it.

In the UK, the extant logic in HE has been challenged by NPM (Deem, 2004; Diefenbach, 2009; Parker, 2012; Parry, 2001). Major changes in the ways HEIs were to be managed were initiated in the 1980s during Thatcher’s Conservative government with a move towards ‘neoliberalism’ within the public sector (David, 2016). This saw more market-driven activities and the advent of more managerial forms of governance; for example the Jarratt Committee’s inquiry into university management structures and systems and performance appraisal (Townley, 1997). Supplanting public good models of governance and social democratic values brought an ethos of accountability and monitoring, supported through incentives and performance targets and a focus on corporatisation, privatisation, and reduced support from government (Bagley and Portnoi, 2014).

Major changes in 1992 imposed increased regulation through audit and quality mechanisms, ushering in an expansion of the university system, as polytechnics achieved university status. A notable shift in the policy framework accompanied the Dearing Review in 1997. Alongside marketisation, the Blair government aimed to widen participation and instigated the introduction of top up fees - the first step away from state funding for individual students (Savigny, 2013). The political agenda supported a policy of change within HEIs, rectifying poor market orientation, expertise and lack of strategic vision (Lomer et al, 2016). Building on the Browne Report (2010), the Coalition government introduced full tuition fees (up to £9000 annually). In parallel HEIs were strongly encouraged to adopt market-led behaviours and apply neoliberal quasi-market mechanisms and metrics. The Minister for Education, David Willetts, brought about changes leading to extensive marketization, most

significantly licensing private providers. Recent policy changes support performance metrics such as student satisfaction, drop-out rates, and graduate employment prospects (BIS, 2016).

As part of this wider policy shift, the Diamond Report (UUK, 2011) identified activities (including outsourcing) through which HEIs could deliver efficiencies, improve quality and support core strategies. Outsourcing represents a highly strategic decision to reject in-house delivery depending on the activity's value to the organisation (Gilly and Rasheed, 2000). However, while university executives espoused the need for improvements and cost reductions (CVCP/HEFCE, 2000), adoption of outsourcing has been selective and limited (UUK, 2011) with the focus on basic support activities such as catering cleaning, security, facilities management, accommodation, legal services and some aspects of retail, at present many HEIs lack the skills and confidence to deal with more complex sourcing activities. Those that exist tend to involve technology-based projects and outsourcing of business processes overseas e.g. student IT support (Phillips and Kapletia, 2014).

As with public service organisations more generally that increasingly consider looking beyond outsourcing simple services towards more complex parts of their organisation, understanding determinants of successful outsourcing arrangements becomes critical. This is particularly in light of opportunistic behaviour, lower wages and quality of service from suppliers, potentially transitory savings (Jensen and Stonecash, 2005; Lonsdale et al, 2016; Lok and Baldry, 2015), and potential for greater private sector involvement in core activities.

Theoretical approach

Institutional logics, conceived as the 'rules of the game,' are shaped by the presence of societal orders that provide the opportunity set for how organisations, and individuals within them, behave (Friedland and Alford, 1991). Following Thornton and Ocasio (1999, 804), we define institutional logics as 'the socially constructed, historical pattern of material practices,

assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.... [they] are both material and symbolic'. Thornton et al (2012, 54) argue the bridge between institutional orders and behaviours can best be understood by considering core principles as 'a governance system that provides a frame of reference that preconditions actors' sensemaking choices'.

The boundaries and conceptual domains of two institutional logics in HE can be identified as the traditional 'state logic' (Townley, 1997) and a market logic associated with NPM (Deem et al, 2007; Diefenbach, 2009; Parker, 2012). In the market logic the root metaphor suggests a mental mode experiencing and interpreting the world as transactional, predicated on individual interactions and value for money. In contrast the state logic interprets the world from a public welfare perspective. In the market logic universities achieve legitimacy from performance against key metrics: research outcomes are systematically measured across the sector and guide government allocation of research funding while a national survey captures student perceptions of quality that contributes to league tables informing student choice. Both mechanisms can produce legitimacy-seeking behaviours and represent a far cry from the ideal of 'citizenship' associated with the state logic. Changes in sources of authority reveal an increasing focus on scoring and holding to account organisational actions using these national measures, contrary to the ideal of universities as institutions held in public trust (Parry, 2001).

The root metaphors and sources of legitimacy and authority are associated with distinctive organisational behaviours and strategies as well as differing actor identities. The market logic associates with a more managerial identity, a focus on efficiency, effectiveness, and outcomes measurement, and strategies founded on commercial objectives (Parker, 2012). In contrast, the state logic associates with autonomy, collegiate governance structures and

communities of practices, and commitment towards expanding and transmitting knowledge as a public good rather than a commodity. It is associated with ensuring independence of intellectual thought and objectivity, serving the disadvantaged, playing a key role in building societal and economic civil infrastructures (Lynch, 2006), and eschews financial management and market contracting. Differences in logics characterised by more financial management and managerialist approaches to organisational behaviour, systems and strategies under a market logic, versus a more collegiate, decentralised and autonomous approach associated with the state logic, hold important implications for how HEIs respond to policy prescribing the adoption of outsourcing stated in the Diamond Report (UUK, 2011). Representing an avowedly market logic, outsourcing represents a potentially contested area for university top management teams (CVCP/HEFCE, 2000).

A core principle of the institutional logics perspective is that organisational strategy, structure, and behaviours should align with the dominant logic, otherwise organisations may be subject to conflict and institutional weakening (Dunn and Jones, 2010). Consequently, decisions on internal resource allocation should support practices associated with the institutional logic if the logic is compatible with the proposed action. Hence, HEIs that have developed dominant market logics should be supported by associated sets of legitimate repertoires for action upon which their members will draw that support more market-based solutions, fostering a greater willingness to outsource. Conversely, HEIs with low orientations to the market logic are more likely to have goals and values that eschew market-based solutions, detracting from an HEI's willingness to engage in outsourcing:

Hypothesis 1: HEIs are more likely to participate in outsourcing when they have a high market logic orientation.

The increasing marketisation of HE (Brown, 2011) is associated with the market logic's financial surplus/profit seeking behaviours and a root metaphor of the 'user pays' (Parker,

2012). In the UK's changed funding regime, where income follows students, as Parker (2012, 259) notes, HEIs are 'thrust into the search for alternative revenue sources, while at the same time continually seeking cost efficiencies in [their] own internal operations'. The market logic has promoted a greater focus on generating income through tuition fees and uncertainty regarding state funding has reinforced this, hence a heightened focus on teaching (Lomer et al, 2016). Combining these perspectives, we expect HEIs that are more reliant on student fees for income in the domestic market, manifested in a higher teaching intensity, are more likely to adopt practices associated with a market logic.

As UK HEIs increasingly find home markets become contested, foreign markets represent a source of potential growth and revenue generation (Parker, 2012). Following the Browne Report (2010), governments have considered HE an export industry, generating income through tuition fees and partnerships with overseas institutions. Further, Lomer et al (2016) argue uncertainty regarding domestic funding raises the attractiveness of international students, paving the way for HEIs' current emphasis on funding from international sources and global competition in the sector. Graf (2009, 569) highlights the internationalisation of UK HEIs is "strongly linked to the commodification and export of higher education services on a commercial basis," while Huang et al (2016) point out the competitiveness of international markets and the increasing use of agents by UK HEIs to compete for a valuable share of the market. Hence international student recruitment may be driven by revenue generation, financial imperatives and strategic behaviours associated with the market logic (Parker, 2012).

Facing increasingly competitive markets and ever tightening margins, we argue for congruence between these manifestations of a market logic and efficiency-seeking behaviour to support outsourcing:

Hypothesis 2a: HEIs are more likely to participate in outsourcing when they have a higher teaching intensity.

Hypothesis 2b: HEIs are more likely to participate in outsourcing when they have a higher international intensity.

Conflicting logics as limits to outsourcing

Research shows logics are not cemented in stone; rather, being contingent on dominant social orders, they change over time, creating inconsistencies or conflicts (Lounsbury, 2007). A stimulus for change often derives from some exogenous destabilisation or trigger (Tolbert and Zucker, 1983), including regulatory changes and political or economic shifts that usher in a period in which existing practices are challenged and often unravelled (Greenwood et al, 2002). During such changes organisations confront institutional pluralism, contending with multiple and often conflicting, rules and associated norms and logics of behaviour; applied to the HEI policy context, universities will face multiple new identities (Parker, 2012). When society presents organisations with such multiple logics, organisations encounter alternative opportunities for action. However, while policy shifts can influence the direction of a field, organisations can refract such influences by drawing on higher-level logics (Greenwood et al, 2010). Further, the transition between logics is far from smooth and often associated with cognitive dissonance and “stuckness or oscillation between logics” (Jay, 2013, 155).

Prior research suggests diversity of logics may result not only in contestation but also ceremonial accommodation, adoption or compromise of practices (Oliver, 1991) to manage or minimise legitimacy threats. For example, while publicly complying with a state mandate to adopt private sector business planning practices, museum service staff actively resisted these practices and values (Townley, 2002). Such resistance is not unexpected as organisational routines and practices become institutionalised and persist over time (Boeker, 1988), and professionals may resist logics that stand in contradiction to their own groups’ interests (Stryker and Burke, 2000). Responses can be insufficient to embed internal norms, values and practices associated with a new logic and instead ceremonial accommodation reinforces

commitment and salience of participants' goals. While new practices may be symbolically adopted, they may be decoupled from actual behaviour, and not necessarily internalised because they conflict with existing, normatively sanctioned practices (Tilcsik, 2010).

In response to policy pressures, while many HEIs may engage with outsourcing, the extent of their activities may be limited, reflecting the underlying contradictions between logics within the organisation. Based on the preceding literature, we propose that even when HEIs engage in outsourcing, low adherence to a market logic will constrain development of further outsourcing activities:

Hypothesis 3: Among those organisations that outsource, HEIs are less likely to engage in extensive outsourcing when they have a low market logic orientation.

Data and methods

Our mixed-methods approach involved surveying senior HEI professionals, conducting semi-structured interviews and a holding a workshop with 24 HEI managers and suppliers, supplemented by secondary data from participants and the Higher Education Information Database for Institutions (HEIDI). Interviews focused on outsourcing decision-making and insights were reviewed against sector-specific practitioner literature to generate survey questions (Policy Exchange 2010; Universities UK, 2011). To ensure data quality, findings were presented to a project steering group of experts and stakeholders at an HEI procurement Special Interest Group and a Leadership Foundation conference.

From the UK Leadership Foundation for Higher Education and UK mission group memberships we identified 131 HEIs and obtained complete responses from 56 (43 percent). Supported by the British Universities Finance Directors Group, the survey was administered online, targeting senior executives and professionals in finance, procurement and operations. Questions used five-point Likert scales to capture factors driving outsourcing behaviour, services outsourced, contractual arrangements, benefits, and perceptions about challenges.

Strategic benefits focussed on improved productivity (33%), risk reduction (28%), and student satisfaction (25%). A higher concentration of outsourcing exists in front-line support services, mainly as single service providers in the private sector. Using operating data from HEIDI, we conducted a t-test to check for potential non-respondent bias, finding no statistically significant difference between the profile of respondent versus non-respondent organisations.

Measures

We created two dependent variables: whether an HEI actively engages with outsourcing (a dummy variable) and the total number of services outsourced (a continuous measure). We constructed two independent variables, outsourcing capability and market orientation. Relevant tests for factor analysis (Field, 2009) demonstrate an acceptable sampling adequacy, sufficiently large correlations for principal component analysis, and meet the criteria of 5 to 10 cases per variable. The scales had eigenvalues greater than 1 and accounted for 68.58 percent of the variance. Factor scores were retained in the analysis.

The variable *Outsourcing Capability* controls for resources and capabilities available to an organisation that might influence its decision to outsource. Items include ‘sourcing is centralised and visible,’ ‘we have the skills and tools,’ and sourcing is strategic and represented at the highest level. Higher scores represent a greater capability for outsourcing. The *Market Orientation* variable captures whether the organisation believes market solutions are appropriate. Items include market-based services ‘offer best value for money’, there are ‘benefits from outsourcing,’ it ‘prioritises market sourcing,’ and holds the dominant belief that the ‘market’ is appropriate. Higher scores represent a stronger commitment to market solutions while lower scores reflect rejection.

We used HEIDI data to create the measure *Teaching Intensity* as the ratio of ‘home and EU’ domiciled student tuition fees and ‘recurrent teaching grants’ to total income. Higher

scores indicate greater dependency on teaching income. The ratio of tuition fees from non-EU domicile students to total income measures *International Intensity*. Higher scores indicate higher proportions of total income from student fees outside the EU. We control for whether the HEI obtained university status after 1992. We ran our models with a control for income but found high collinearity with Post 1992 that did not provide additional explanatory power and hence excluded this from our analysis. Other measures, such as endowment income as a proportion of total income, days in the general fund, and student staff ratios, were highly correlated so excluded.

To test hypotheses 1 and 2, we utilised logistic regression in SPSS. Logistic regression is sensitive to sample size and the number of variables fitted as well as the effect of high correlation between variables. While our survey responses represent 43 percent of the population, we took two actions to deal with sensitivity to small numbers by using variables that create the best fitting model bootstrapping with 1,000 iterations to control for the effect of variance or bias in standard errors (Field, 2009). To test hypothesis 3 we restrict our dataset to those undertaking outsourcing and utilised ordinary least squares regression.

Qualitative data

We conducted 31 semi-structured interviews (lasting up to two hours), analysed using NVivo. Participants were selected based on their profession or expertise in strategic sourcing decisions (vice chancellors, finance directors, procurement and HR professionals). Questions discussed institutional sourcing decisions, activities suitable for outsourcing, core business activities, barriers to outsourcing, contractual relationships and contract management. We analysed these data utilising the organising principles of the two institutional logics.

Results

The correlations in Table 1 are modest and below the threshold of concern. We examined the Variance Inflation Factors and condition indices, finding no significant issues of multicollinearity, and the data indicate no violation of the regression assumptions (Field, 2009).

 Insert Table 1 about here

The results, modelling decisions to engage with outsourcing are shown in Table 2. The full model is significant and better fitting than the baseline (change in $-2LL$, 13.626, $df(3)$, $p<.003$). Measures of pseudo R^2 further demonstrate the full model provides greater explanatory power than the baseline (Field, 2009). *Market Orientation* is positive and significantly correlated with the decision to engage in outsourcing (1.27, $p<.01$), providing empirical support for Hypothesis 1. HEIs with higher *International Intensity* (.139, $p<.05$), are more likely to outsource, supporting Hypothesis 2b while those with higher *Teaching Intensity* (.045, $p<.1$) are marginally more likely to outsource (providing limited support for Hypothesis 2a).

 Insert Table 2 about here

The results modelling the extent of outsourcing activities among those HEIs engaging in outsourcing are shown in Table 3. The change in R^2 between the baseline and full model (.086, $p<.05$) is significant, indicating the full model is better fitting. Our main independent variable *Market Orientation* remains positive and significantly correlated with the extent of outsourcing activities (.681, $p<.05$). The result provides empirical support for Hypothesis 3 that predicted *lower* scores on this scale would lead HEIs to outsource fewer activities even when they have made the decision to participate in outsourcing. The full model reveals two interesting but not hypothesised effects that we discuss later: *Teaching Intensity* and *International Intensity* are negative and significant, indicating they are associated with fewer outsourcing activities than more, suggesting potential limits to the extent of outsourcing.

 Insert Table 3 about here

Qualitative results

Our qualitative findings elaborate upon the association between institutional logics and adopting outsourcing as a managerial practice. We provide examples for each attribute in both logics in Table 4 and elaborate on these below.

 Insert Table 4 about here

The state logic discourse surrounding outsourcing reveals a consistent commitment to the core focus of HEIs as teaching and research as a newer HEI acknowledged few activities are outsourced beyond cleaning services and that is “really on the margins...It’s nothing fundamental to the academic mission.” Indeed adherence to the state logic reveals some HEIs provide services at a loss as part of an holistic view of their identity as an educational institution, as one large university highlights:

“there’s some very clear sort of steers in the university about...the students paid £9,000 to come here to study, we’re not going to sort of rip them off in terms of what they’re paying for a cup of coffee. That would be sort of counterintuitive and against the [name] experience.”

In contrast, key attributes of the market logic reflect the root metaphor of marketisation with an emphasis on value for money and consumerism. This perspective is highlighted by a large teaching university revealing:

“we actually will consider pretty much anything for outsourcing. So I know that’s [about teaching] but we’ll run the outsourcing rule over anything when we restructure.”

Despite a general consensus that academic provision is core, some contested views exist around the parameters. For example, a large teaching-oriented university highlighted the shift in thinking propelled by widening competition from private providers:

“I think certainly at the moment the academic provision is still regarded as core. So we have challenged that, considering how the private [institutions] provide. At the moment the economic is core.”

Others contest this perceiving the core to be protected with opportunities for outsourcing lying more firmly elsewhere:

“from a university perspective, clearly teaching and research are absolutely core and I wouldn’t consider outsourcing, but in terms of our professional services I don’t think anything’s sacrosanct to be perfectly frank.”

The marketisation thrust associated with student fees has led to a ‘re-imagining’ and re-evaluation of core activities with previous targets for outsourcing now being incorporated into the discourse of the state logic. As one interviewee explained, “accommodation and...the delivery of pastoral care and things like that are becoming increasingly important and increasingly core.”

Several institutions highlighted contradictions between trying to provide a ‘welfare-based’ approach to educational services and seeking to use market solutions:

“it might be that it’s not sensible to outsource catering because we know that we need to provide an out-of-hours catering service that’s uneconomic. In which case, no commercial provider’s going to take that on unless we guarantee their losses, so if it’s going to run at a loss then we may be better off picking that up ourselves.”

The state logic supports an inclination to provide services internally and, although some HEIs acknowledge the private sector might provide certain benefits, one felt “things like dyslexia services or academic skill support or student support services, these are things that we think we can do pretty well ourselves.” We found several HEIs use this language of pastoral duty of care to limit and appropriate the discourse surrounding outsourcing of student services.

While the market logic casts outsourcing in terms of responding to ‘consumer’ needs, for example responding to student satisfaction scores, the state logic interprets this differently. Rather than perceiving national rankings as a rationale to outsource more activities, they mobilise to limit the extent of outsourcing, citing loss of quality and service. As one representative explained “the most important thing is student experience because we value it hugely here.” Associated with this lies a fear of loss of control and flexibility if outsourcing

was used extensively as “we just wouldn't be able to respond quickly enough to the university's needs and I think that's the concern.”

Discussion of processes for entering into outsourcing contracts demonstrates the legacy of democratic participation in governance associated with the state logic as, “you must also consider another layer of activity between central university functions and the “faculties”, which quite often have their own arrangements” and “we made sure that the student union particularly were on board with it so...a lot of energy in communications, transparency and actually sort of...making sure that that happened the right way.” In other instances, appeals to external sources of authority are mobilised to support outsourcing actions, as expressed by a mid-sized HEI, “sometimes they do it because...a new requirement, a new piece of legislation that comes along on control or regulation.” In contrast, the state logic demonstrates a fundamental resistance to ‘profit’ motives and external measurement, viewing university senates as arbiters of the public trust.

On other attributes, actor identities and norms explain the adoption or otherwise of outsourcing practices. The market logic embraces the language of commerce with reference to return on investment (ROI), competition and margins, and some HEIs recognise that people undertaking these functions are often brought in from other backgrounds. HEIs espousing these values also identified they needed “to raise the profile of the procurement function” and get “the right people in place” to professionalise and develop their capabilities recognising the:

“next part of the journey is how one manages the relationship...and that's the competency piece that the university needs to build up to have confidence in those actually managing the supplier in a mature, effective and sufficiently challenging fashion and is not being taken for a ride.”

In contrast, the state logic perspective suggests a resistance to outsourcing by incumbent professionals steeped in traditional university ethos, seeking to exert power and restrain efforts to adopt commercial bases of operation. Such restraint is also couched in terms of supporting local communities and providing a public good, as outsourcing is sometimes

usurped to justify a social mission directive, such as local sourcing or buying from social enterprises. For example, one university recounted its partnerships with a housing association and local council for student housing and sports provision. Another HEI highlighted how the university's adoption of the living wage mandate created tension with contractors "because it means the contractor has to operate the [living wage for our contract] yet it's other employees don't necessarily get the [living wage] and that gives them management issues in terms of flexibility and moving staff between their contracts." Further, there is a presumption that it is a 'myth' that the private sector is more efficient at service provision, as one VC put it, "they just spend the money in different ways" and "there seems to be public money going to them to do ridiculous things."

Recognising the contested nature of outsourcing evident from our interviews we also witness the emergence of shared services as an organisational form lying between traditional concepts of outsourcing and internal provision, as this insight from a mid-range HEI indicates:

"They [governing body] were very supportive of shared services—extremely supportive and actually saw it as a way of getting a step change"

One example highlighted the importance of adopting market-like management structures rather than academic committees "with everyone getting around the table to make decisions." As a shared service provision that pooled assets, avoided duplication and maximised economies of scale in its operations, a distinctly different organisational culture emerged focussed on professionalism of the service rather than on supporting academics. At the same time, the shared service provider highlighted linkages to the state logic by having "a charitable ethos and empathy which I think is really important in the university sector...we are close to our university partners...we understand them." At the same time, the provider has a strong market logic in not adopting the traditional university single-pay structure to ensure it has the agility to enhance or change service provision at short notice. Such shared services potentially enable HEIs to control the sort of service provision they want through their ownership stake but deliver

it in a way that, according to one large university, is “less bureaucratic than you get at a university with a far sharper focus on service quality and KPIs.”

Discussion and contribution

This work aims to advance our understanding of how institutional logics influence HEI responses to changes in the policy environment. Our interest has been on understanding how competing logics affect the uptake of an organisational practice (outsourcing) championed by governments pursuing neo-liberal policies.

Our work demonstrates the presence of a dominant state logic translates into lower willingness not only to engage with outsourcing practices but, even for HEIs adopting these practices, stronger manifestations of the state logic engender resistance to expand outsourcing activities beyond an initial limited experience. In contrast, the market logic indicates a willingness of the organisation to engage with outsourcing and, moreover, to expand its outsourcing activities, though some elements may still be subject to contestation. That material practices associated with market logics are not tightly coupled (Tilcsik, 2010) is evident among HEIs, with many engaging in limited outsourcing activities constrained to professional and support services. Loose coupling enables organisations to adhere to legitimacy by implementing government policy directives and practices without dealing with potentially difficult internal organisational conflicts.

Both teaching and international intensity influence adoption of outsourcing practices related to market logics. First, institutions heavily reliant on student fees are likely to be more susceptible to changes in the funding regime and more attuned to seeking cost-reduction measures, such as a shift towards the outsourcing of some activities. However, because teaching intensity becomes negative in the models measuring the extent of outsourcing, we contend these institutions may face contradictions. On the one hand they mobilise to engage in

a limited amount of outsourcing, such as IT services or accommodation management, but at the same time the state logic is likely to kick-in, motivating organisational responses that inhibit further expansion of outsourcing into core teaching activities. Likewise some HEIs seeking new international markets adopt outsourcing, suggesting such organisations enacted a market logic in response to changes in the funding regime. However, our findings demonstrate limitations as they appear unwilling to engage in increasing levels of outsourcing. Such actions demonstrate complex responses to institutional pluralism, representing a market-based logic of greater commercial acuity constrained by the core educational mission.

Our study contributes to understanding how organisations respond to dual institutional logics. While most HEIs follow traditional outsourcing by contracting-out a defined service to a third party supplier, we find practices that reflect greater experimentation with new forms, including shared services and partnerships with social enterprises, local authorities and non-profits. This latter manifestation is consistent with the findings of Pache and Santos (2013) who highlight hybrid responses selectively combine elements from competing logics. In so doing, organisations are better able to navigate across incompatibility and avoid challenges associated with compromise or costs and risks of ceremonial adoption of practices. Interestingly, our study highlighted reticence among several HEIs about engaging further in outsourcing practices until they had evidence from others in the field of best practice that aligns to their goals. Hence we anticipate that as alternative or hybrid models become better established, other HEIs may begin to replicate these.

Other research (Goodrick and Reay, 2011) has proposed the idea of ‘constellations’ of logics that tend to co-exist, sometimes in a competitive relationship while at other times in a cooperative relationship. Such constellations were possible because key work practices were sufficiently discrete or segmented and aligned to one of the logics. In relation to our findings, HEI engagement in outsourcing can be segmented from core areas where the state logic is

dominant in guiding organisational practices. Relatedly, conflicting logics may co-exist over time while a process of ‘pragmatic collaboration’ allows reconciliation as individuals within organisations retain their own self-identity while aiming to resolve differences (Reay and Hinings, 2009).

In considering implications of our research we should ask why it matters that HEIs appear to have limited ability to implement practices associated with the market logic. Recent literature suggests a multiplicity of potential outcomes associated with responses to institutional pluralism – some are potentially destructive (Dunn and Jones, 2010) while others range from accommodative (Goodrick and Reay, 2011; Reay and Hinings, 2009) to new organisational creation (Pache and Santos, 2013). Dunn and Jones (2010) identified when an institution comprises groups from distinctly different logics, for example, the logics of science-based knowledge versus that of patient-centred care in the medical education field, the potential for conflict is heightened. Such conflict may endure depending on the relative power of each group. In circumstances where core knowledge or skills are embodied in different groups essential to that institution, conflict can escalate to the point that the institution becomes weakened. Dunn and Jones (2010) suggest such organisational weakening provides opportunities for ‘invaders’ to enter the field that might carry yet another competing logic. In this view, the presence of contested logics exerts negative effects on organisations that are untenable in the long term. In the context of UK HE, a recent expansion allowing private providers may bring an ethos more easily fitting the market logic. Indeed our interviews revealed some HEIs mobilise the language and behaviours associated with the market logic as a direct response to such perceived threats.

Our results provide additional insight to institutional theory by demonstrating that fields, such as HE, are not monolithic constructs in which organisations behave in homogenous ways. Rather our findings demonstrate that in a period of change, flux presents members of a

field with complex, alternative practices emanating from differing societal orders each making claims on the direction in which the field could move. The diversity of response – from full contracting-out, through hybrid forms, to subversion for internal provision – highlights the need to understand why organisations respond in these alternative, yet patterned ways within a field.

We identify the salience of the societal order of the state logic in HE that is both historically dominant and prevails across more recent expansions of HE. Our work provides evidence that many of the Post 1992 HEIs actively mobilise the state logic limiting the extent to which managerial practices such as outsourcing can be implemented, especially protecting core activities. Our work highlights that longevity of a field's dominant logic pervades even in the face of substantial changes. This suggests that theory needs to account for the perseverance of the dominant logic but also to examine how the logic can evolve or mutate in responses to institutional pressures.

This study should have resonance for HEIs across country contexts as, according to Naidoo (2016), the application of neoliberal quasi-market mechanisms are widespread and, globally, HE systems have seen deregulation, the entry of for-profit organisations and increased quasi-market competition. Such reforms are not limited to HE as neoliberal policies have resulted in a range of quasi-market responses across many aspects of public service provision, including placing potentially conflicting responsibilities into separate institutions; separating commercial from non-commercial functions of the state; and separating the advisory, regulatory and delivery functions into different agencies (Olssen 2016). These actions suggest some form of selective coupling and segmentation to manage contradictions between market and state logics. Hence our study of competing logics is of broader significance in contributing to public policy debates surrounding increased marketisation.

Finally, our work suggests governments can learn from our findings that conflicting logics place limitations on the development of outsourcing practices. Our work challenges the policy assumption that public service organizations can be operated as if they are businesses (Cordella and Willcocks 2012) and that practices will translate between logics. As such, policy makers should consider the appropriateness of mechanisms through which to improve the performance of public services, as highlighted in the IT outsourcing case of ASPIRE (Cordella and Willcocks 2012). This is all the more important since the trend to marketisation of public services is only likely to increase over time (Elinder and Jordahl, 2013). In line with Johnston et al (2017) we suggest the right questions are asked and that any policy changes are fully evidence-based using good quality objective data as opposed to market trends.

Further work and limitations

Further work could investigate micro-foundations of institutional logics that might account for limits to adopting new practices. Such studies might draw on social identity theory that suggests professional identities govern and provide consistency to behaviour (Stryker and Burke, 2000). Our study indicates differences already exist in HEIs between the symbolic identification of professionals with the state logic and those who identify with the market logic, and this difference could be explored more fully across occupations and levels within HEIs and more broadly across other public service organisations facing neo-liberal policy shifts.

We provide some insight into how organisations make sense of and deal with complexity of institutional pressures. Our work reveals how, by drawing selectively on the market logic, HEIs creatively integrate practices into existing structures and hi-jack the policy push towards outsourcing. For example, some HEIs have used student rankings to legitimise not the market-based outcome of outsourcing to improve service offerings, but instead to strengthen internal service provision by situating ‘student experience’ as central to core

activities. Further work could examine other instances in which public service actors make strategic use of dual logics, thereby providing greater insight into the conditions and mechanisms that enable or inhibit policy implementation. While we focus on one distinct practice, outsourcing, opportunities exist to delve further into internal processes by which organisations adopt, adapt or refract such pressures in other aspects of their practices.

One of the main limitations of our statistical element in our mixed-methods approach has been a relatively small sample, despite achieving a good response rate from a small population. Despite this our results are robust and supported by our use of mixed methods that enabled us to provide qualitative insight to practices and explore the logics more fully. While the study is set in the UK, many countries face similar problems (Brown, 2011; Naidoo, 2016), hence our general findings should be transferable. Further, our work can be taken in the overall context of public sector studies of NPM and can inform that research more broadly.

Conclusion

Organisations that perceive themselves as largely following the state logic appear to prioritise actions consistent with this in their managerial practices. Conversely, those that espouse a more market logic highlights limits to the extent to which they believe these outsourcing practices can extend. The ability to successfully blend or appropriate key elements of different logics provides organisations with an advantage in being more able to draw on a wider repertoire of behaviours and actions of value when confronting pluralistic environments. We identify an arena of contested middle ground representing the interplay of these dual logics in which we see HEIs engaging in a sense-making process. In this space, our findings indicate the emergence of shared services and partnerships as new or hybrid organisational forms lying between market-based and state logics.

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