

The failure and success of policies, organisations and individuals are increasingly marked by benchmarks, indicators or risk assessments. These numbers, however, do not only represent performance, but change perspectives and behaviour of both regulators and regulatees considerably. In the higher education (HE) sector, academics and faculties are progressively made to recast their activities in terms of quantifiable performances to ensure continued funding. Key performance indicators (KPIs) have come to redefine professionalism and quality. In addition, they have also added new criteria that are supposed to lead faculties to internalize external expectations, such as gender equality or research contributing to societal prosperity.

Such developments can be found across many other national higher education systems. Their effects, however, vary greatly. In the German HE sector, for example, the reach and scope of external performance-based incentive systems has been far more modest than in the English HE sector. This variation can be largely explained by an unwillingness – shared by universities and politicians alike – to differentiate the relatively

and the relative part of universities' budget that was freed for competitive allocation). A common theme, however, was the wish to replace the detailed budgeting characteristic of cameralism with global budgeting, which traces the steps from a centrally allocated, line item type allocated budget to one that is set on predetermined objectives and measurable factors. This was aimed at introducing incentive structures to help to detect quality differentials in the hitherto relatively egalitarian HE sector. Global budgeting, for example, removed expenditure deadlines, thereby avoiding the 'December fever' effect and offering universities a wider time-frame for financial planning. As it was also an exercise in cost cutting, the Länder introduced various combinations of KPIs to approximate a form of algorithmic steering that was to realize a competition-oriented notion of 'pay for performance'.

This novel situation of performance-based budgeting on the basis of a shrunk overall budget forced universities to adjust their teaching and research activities. In Germany, strategies such as externalising costs to students or gaining income through private funds or endowments are limited. Instead, universities had to internally redistribute their scarce resources. In response, they began to collect their own quantified performance data and to build internal performance-oriented allocation models on the basis of that data. Thus, universities gradually internalized the external performance demands and accompanying financial pressures. The central administration, which had become an arbiter between the faculties, gradually transformed into a management department that started to develop its own strategic goals and ideas. This change was supported by a cascade of legal modifications over the last two decades.

The new micro-management system of financial resource allocation developed out of the LOM model. Like the