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**Abstract**

This article analyzes forms of resource allocation in university systems and their effects on performance in institutions of higher education. Internationally, higher education systems differ substantially with regard to research and education funding sources and to ways that resources are allocated. European universities receive the majority of their funding from public sources, but private funding plays a more important role in Anglo-American systems of higher education. Many governments use competitive elements in the process of allocating public funds to institutions of higher education. Examples include the implementation of performance measures through "formula funding", or resource allocation on the basis of evaluated project proposals. Corresponding forms of performance-based resource allocation can be found within most higher education institutions. This article analyzes how various forms of funding and resource allocation affect universities at the macro-level and individual behavior at the micro-level. A theoretical approach to this problem suggests that performance-based funding tends to bring about positive changes but is also a factor in

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unintended side effects. Forms of resource allocation influence the behavior of academics and managers in higher education, particularly their levels of activity as well as the kinds of activities they engage in and their ways of dealing with risks. Empirical analyses partly confirm these hypotheses. It can be shown that changes in resource allocation have an impact on the level and type of activity academics concentrate on but not on the long-term success of universities. (HRK / Abstract übernommen) Liefner, Ingo, E-Mail: [liefner@wigeo.uni-hannover.de](mailto:liefner@wigeo.uni-hannover.de)