



Education and Culture DG

**GOVERNANCE REFORM
PART THREE**

**The extent and impact of higher education
governance reform across Europe**

**Final report to the Directorate-General for Education
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Part Three: Five case studies on governance reform



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Table of Contents

| | |
|---|----|
| Higher Education Governance Case Study: Austria _____ | 5 |
| Higher Education Governance Case Study: Norway _____ | 19 |
| Higher Education Governance Case Study: the Netherlands _____ | 31 |
| Higher Education Governance Case Study: Catalonia _____ | 41 |
| Higher Education Governance Case Study: Czech Republic _____ | 57 |

Higher Education Governance Case Study: Austria¹

Executive Summary

The case study examines recent transformation processes of higher education governance in Austria. First of all the creation of a non-university sector provided not only a new type of higher education with short-term studies and clear vocational orientation. The new sector also introduced a new type of institution – called *Fachhochschule* – with a high degree of financial and legal autonomy, new governance mechanism and restricted access policy. After the innovation in the non-university sector, fundamental changes in the university sector took place. This reform wave, which took place in two steps in 1993 und 2002, introduced more institutional autonomy, more powerful rectorates, university councils, employment policies and new steering mechanisms.

Although the formal structure of the governance changes implies more institutional self-governance in the higher education sector and less regulation by the state, universities are still confronted with more problems than *Fachhochschulen*. The latter were built from scratch as private enterprise systems with appropriate management structures and a clear market orientation. Therefore *Fachhochschulen* developed very early a managerial attitude, which is now also expected from universities. The study shows that the reforms in the university sector brought improvements with regard to internal management structures, institutional autonomy and funding. One of the main reasons is the full legal autonomy. Powerful rectorors are identified as crucial factors for a successful governance reform following the paradigm of New Public Management. Positive effects can be seen by the fact that academic and administrative staff is no longer employed by the state but directly by the universities. This resulted in more flexibility in the staff management and led to an increased number of jobs for young scientists. Universities have gained more financial autonomy by implementing a new funding system. But all in all it is difficult to find logical links between these governance reforms and performance in research and teaching. Certainly it is too early for a meaningful assessment but there might be a danger of an extensive loss of energies by 'managerialisation' of universities without achieving clearly related results.

1. Introduction

Over the past years the Austrian higher education (HE) sector underwent radical and unprecedented changes. Reforms did not only modify internal governance mechanisms of higher education institutions (HEI) but restructured the entire HE system. As a result the higher education sector has become much more diversified. Currently it consists of three types of HEI: 22 public universities and 18 *Fachhochschulen* (institutions offering vocational oriented study programmes) as well as 10 private universities. Public universities present the largest sector (217, 800 students), followed by the *Fachhochschulen* (25,806 students) and private universities (1,336 students) (bm:bwk² 2006b, p.8). In 2007, a new type of HEI will be added: the merger of 51 post-secondary colleges for teacher training (with currently 13,568 students) will result in eight publicly-funded teacher training colleges (Bundesgesetz 2006/Federal Law 2006). These colleges are intended to offer both scientific and vocational education for teaching professions, including teacher study programmes and further education training courses. Teacher training colleges are also expected to carry out scientific research.

¹ This case study was written by Sigrun Nickel with support from Christoph Affeld

² In this article the acronym bm:bwk is used for the Austrian Federal Ministry for Education, Science and Knowledge/ Österreichisches Bundesministerium für Bildung, Wissenschaft und Kultur.

Accreditation of institutions and their study programmes was a key point from the very outset of the foundation of the *Fachhochschulen* and private university sectors. Quality assurance is an essential element of the two new types of HEI. Quality is monitored by two national agencies, namely the *Fachhochschul Council (Fachhochschulrat)* for the *Fachhochschulen* sector and the accreditation council (*Akkreditierungsrat*) for the private university sector. Instead of compulsory accreditation of institutions or study programmes the public university sector is obliged to establish internal quality management systems. Similar procedures will be relevant for teacher training colleges.

While the Austrian HE sector was being restructured by the implementation of new types of HEI, the number of students remained constant with an annual average of 230, 000 student enrolments. With regard to the share in the federal budget, however, the development of HE education expenditure presents a less significant change and is still low: Firstly, because Austria increased its budget on higher education between 1990 and 2004 only from 3.4 to 3.94 percent (bm:bwk 2005, p.19). All in all Austria's direct and indirect expenditure from public and private sources for the tertiary sector of 1.1 percent of Gross Domestic Product lacks behind the OECD country average of 1.4 (OECD 2006, table B2.2).

Apart from restructuring the entire HE system, reform activities focussed on the reorganisation of public universities through new university acts in 1993 and 2002.

During this process, public universities were subject to deregulation by implementing instruments and procedures of the New Public Management (NPM). These managerial mechanisms caused a trend of entrepreneurial orientation in organisational structures and management processes of universities. But in view of governmental higher education steering as well as internal university governance university reforms turned out to have many inconsistencies (Nickel et al. 2006). The university sector has developed strong structures over centuries and therefore built massive resistance against changes. In contrast to that, *Fachhochschulen* were built from scratch as private enterprise systems with appropriate management structures and a clear market orientation. From the beginning the Austrian *Fachhochschulen* sector was not steered by strong external regulation but equipped with self-governance mechanisms. *Fachhochschulen* are labelled "Pioneers of Managerialism" (Pechar 2003, p.82) since their internal modes of steering are closer to NPM compared to those of universities. With regard to these divergent developments the following section compares and contrasts the two largest sectors of Austrian HE with regard to specific challenges.

2. The Policy Problem / Main Objectives

Governance reforms in the Austrian higher education sector are derived from four major problems:

- **The public budget crisis**

At the end of the 1980s, Austria, like most European countries, suffered from a financial crisis that led to financial cutbacks in the university sector. As a consequence disputes on funding and strains in the usually consensus-oriented relationship between government and the HE sector emerged, so that "[l]ife became more difficult for all stakeholders and relations between the representatives of the government and the higher education community deteriorated. The former had no interest in being engaged in the ugly details of executing cuts and became quite sympathetic to the arguments for increasing the autonomy of higher education institutions" (Pechar 2003, p.81). Emphasizing self-government, competition and increased efficiency NPM became rapidly important for higher education policy (cf. Prisching 2002).

- **The organisational crisis of the universities**

Austrian universities – like many other HEI – suffered from inefficient decision-making structures. Since self-administration bodies tended to avoid decisions that were likely to lead to conflicts they passed them over to the Ministry (Pellert 1999, p. 153). As a consequence the need for new management structures increased which corresponded to the size, complexity and diversity of responsibilities.

- **The crisis of academic mass education**

Apart from scientifically oriented study programmes at universities the Austrian HE system did for a long time not offer alternative options e.g. for vocational training. In addition to that universities suffered from a capacity overload of mass education. But many Austrian politicians were afraid of possible negative effects of establishing new types of HEI: “In their view, any kind of diversification would lead to the re-introduction of elite structures with the unavoidable consequence that students from the lower social strata would be excluded from the prestigious university sector and be pushed aside to a sector of less quality and esteem” (Pechar 2003, p.82). It was mainly a result of international competition, that Austria established the *Fachhochschulen* sector at the beginning of the 1990s. Like other European countries, the Austrian *Fachhochschulen* offer study programmes that can be completed within shorter periods of time than is needed at universities, and which show an explicit relevance to a profession (Lassnigg et al. 2003, p. 8).

- **Increasing international competition**

Over the past ten years, the Austrian economic and educational sector underwent a process of internationalisation, which made the Bologna Declaration increasingly important for Austria (cf. bm:bwk 2004). The implementation of the Bologna objectives is considered an independent reform process, which focuses firstly on the implementation of bachelor’s/master’s degrees linked to a systematic quality assurance of study offers, secondly on the introduction of ECTS, and finally on the promotion of the mobility of teachers and students. In this context Austrian HEI are obliged to introduce quality assuring measurement, and to increase the internationalisation of teaching and research.

3. The content of the governance reform

3.1. The university sector

A traditional feature of the Austrian HE system was a central university steering system. For instance, the Federal Ministry for Education, Science and Culture (bm:bwk) controlled and financed all universities. For a long time the allocation of the budgets was a result of individual negotiation processes between the respective minister of science and the university rectorates. This was an obscure procedure. In this context the university system developed organically rather than systematically. The divergences between the institutions were not primarily the result of state regulation but the consequence of decentralised decisions of each university. This bottom-up governance pattern – based on a consensus culture - found its particular expression in open access to higher education.

In contrast to other European HEI, Austrian public universities never had access policies (i.e. there was no restriction of access to study programmes). Instead, anyone holding a university entrance qualification could enter study programmes of his/her own choice, place, subject and duration. **Open access** is still considered a central social right that is granted by law (cf. Hödl 2002, p. 26ff.) and derives from the political consensus that education shall be available to everybody. The open access was not modified until a judgement of the European Court of Justice (7 July 2005) forced the Austrian state to make a change. The old Austrian regulation intended to protect Austrian students from international competition. Non-Austrian students could not apply for a place at an Austrian university unless they held one in their home

country. The European Court declared this practice to be unlawful. An immediate storm of applications, particular from Germany and especially for medicine followed. As a counterreaction, the University Act was modified. Now the access to study programmes is restricted by a selection process, particularly for those programmes that are demanded by German students who intend to avoid admission restrictions (*numerus clausus*) at their home university (Amendment of the University Act of 2002 as of July 28, 2005). This regulation is valid until the end of the winter semester 2007/2008. But it can be anticipated, however, that – at least for medicine – the *numerus clausus* will remain beyond this date.

Since the early 1990s, Austria has been trying to modify the governmental steering of the university sector on the basis of NPM concepts (Titscher/Höllinger 2003, p. 9ff.) in two legal steps: one in 1993 and another in 2002.

First period of change: 1993 - 2001

First changes were caused by a new university organisation law [University Organisation Amendment Act/Universitätsorganisationsgesetz (UOG)] in 1993. The act aimed at a more entrepreneurial and competitive university system by implementing management structures – particularly in the field of university management: target-oriented steering mechanisms, efficient and effective organisational structures as well as increased self-government. Although the government intended to restrict its action to strategic steering, the governmental steering practice hardly changed (Zechlin 2002) because of four reasons: there was neither a transparent, indicator-based financing system from the government, nor a strategic political objective which could serve as a basis for target and performance agreements between the Federal Ministry and the universities. Reporting and global budgeting was also lacking.

While the transformation of governance mechanisms remained unsuccessful, universities changed their structures to the benefit of more market orientation. But at the same time the government decreased the university budgets. This situation led to increased and conflictive financial competition that was hardly known before.

As a result, all the failings of the UOG 1993 reforms quickly led to functional impairment of universities. Neither the government nor the universities had really broken with bureaucratic traditions, which had increased administrative expenses for universities. This suggested that large-scale investments would only deliver small-scale results (Pellert 1999, pp. 10-11). As a consequence, Austrian university rectors expressed their unhappiness and insisted that the Federal Government implement the promised deregulation and grant the universities more freedom of autonomous action (cf. Titscher et al. 2000).

The Ministry reacted positively to the rectors' demands and amended the public services law in 2001 that gave the rectors an employers' status (*Dienstherreneigenschaft*). After a transitional period (2001 - 2004) the status of academic and administrative staff changed to employees of the university (Act on the Compensation for Academic and Artistic Activities at Universities and Universities of the Arts/Bundesgesetz über die Abgeltung von wissenschaftlichen und künstlerischen Tätigkeiten an Universitäten und Universitäten der Künste, BGBl. 463/1974). Since then appointed academic staff as well as newly employed administration staff are no longer public servants, but employees of the respective university. Thus, Austrian universities now possess **full autonomy** in terms of **staffing**.

In 2001 Austria introduced **tuition fees**. The Austrian government decided to impose a standard tuition fee amount of 363 euros per student. Foreign students pay twice as much than their Austrian colleagues. At the same time, the Federation created a differentiated system of student funding: Students receiving grants by the state for the financing of their tuition fees can apply for a partial or complete compensation of their fees. Students who are not entitled to receive a grant by the state can get a subsidised student loan at an Austrian

bank for which the Federation will pay two percent of the interest over a maximum period of 14 semesters. According to the tuition fee regulation, all fees remain with the universities.

Second period of change since 2002

A second fundamental step towards more deregulation was initiated by the new University Act of 2002 (UG2002). This act changed governance mechanisms in favour of institutional and financial autonomy, strong leadership and quality management.

- **Full legal autonomy** transformed universities into independent entities under public law. Similar to a broadcasting corporation a university is still subject to national supervision (limited to the question of legality of administrative activities), but is entitled to carry out business activities and is authorized to conclude contracts to its benefit.
- **Organisational autonomy.** The organisational structure of universities is no longer determined by law, but has to be established by the institutions themselves in a statute.
- **University councils** were created as supervisory bodies for the rectorates. They are composed of members appointed by both the university and the government. Depending on the individual statute of each university the council consists of five to nine members. Half of the members are elected by the senate, the other half are appointed by Federal Government; an additional member is appointed by the members by mutual agreement. University councils represent comprehensive decision-making authorities. Among other duties, they select the rector, conclude the rector's service agreement, and approve the strategic plan, the organisation plan and the draft performance contract between the university and the Federal Ministry.
- **Rectorates** received more decision-making authority and the senate's sphere of competence was reduced from strategic to academic affairs.

The introduction of comprehensive **financial autonomy** made universities creditworthy and gave them the right to have incomes and earn profits. The money still comes from the Federal government as lump sum budgeting but this is now split into 80% funding via contract management and 20% indicator based funding.

A performance contract is concluded for a period of three years. It is a contract in public law. For the first time it has been negotiated in 2006 and will come into force by January 1 in 2007. The money given on the basis of performance contracts is discussed without transparent criteria for the calculation of the amount of money but in a negotiation process between the Ministry and the universities.

On the one hand a performance contract gives the university freedom to define to how perform its task with a fixed budget. On the other hand this autonomy is limited to the criteria laid down in the contract between state and HEI. The Federal Ministry in charge of higher education developed a pattern that defines eight fields of activities for which contractual management is applicable (bm:bwk, 2006a):

- human resources development
- research, development and appreciation of the arts
- study programmes
- continuing education
- social goals
- increased internationalisation and mobility
- inter-university co-operation
- specific fields

Within this framework universities define their plans, targets, time schedules and indicators in a total of eight fields.

In addition to the performance contracts, 20 percent of the university budget will be awarded in accordance with performance indicators (cf. Regulation on the Formula-Based Component of the University Budget, 2006). The performance-oriented allocation of funds consists of three indicator groups:

- teaching
- research and development/ appreciation of the arts
- social goals

The amount is calculated via a complex formula that consists of three calculation factors: the first factor derives from value indicators that have been observed over a period of two years. These actual values are set against reference values from earlier periods. The first and the second value form a third factor that is linked to the size of the respective university and turned into a point-based value. This factor is used to calculate the total amount of the formula-based budget.

- An overall assessment of the universities' activities and of their impacts on their quality of performance is provided by an **intellectual capital report** (*Wissensbilanz*). This instrument is unique in European HEI system and covers comprehensive information on at least three fields of university activities (sec. 13 of the University Act of 2002):
 - the university's activities, social goals and self-imposed objectives and strategies
 - its intellectual capital, broken down into human, structural and relationship capital
 - the processes set out in the performance agreement, including their outputs and impacts

The intellectual capital report consists of a wide-ranging set of key numbers, which refers to a maximum of 60 categories pointing out the impact of the human, structural and relationship capital of each university on the performance in teaching and research.

The intellectual capital report mainly serves the purpose to inform the Ministry and the Parliament (cf. von Eckardstein/Güttel 2005, p. 401). At the same time, it operates as qualitative and quantitative basis for the compilation and conclusion of performance contracts (Regulation on the Intellectual Capital Report 2006/ Verordnung über die Wissensbilanz, sec. 2).

The intellectual capital report, the performance-oriented allocation of funds and the performance agreements will be effective in 2007.

- On the basis of self-obligation universities are required to develop their own **quality management system**. This comprises the evaluation of the entire spectrum of performance in the fields of research and teaching. In order to support the universities during the establishment of their internal quality management systems, the Austrian Agency for Quality Assurance (AQA) has been created, which is under the authority of the Federal Ministry, the Austrian Rectors' Conference (Österreichische Rektorenkonferenz (ÖRK)), the Austrian *Fachhochschulen* Conference (FHK) and the Austrian student association (ÖH: Österreichische Hochschülerschaft).

3.2. The *Fachhochschulen* sector

The *Fachhochschulen* sector differs considerably from the Austrian university sector. From the very beginning, the *Fachhochschulen* sector was intended and established as a "Market-Based-Model" (Leitner 2006, p. 8).

Austria has a federal political system consisting of 9 states (*Bundesländer*). Funding of the *Fachhochschulen* comes from three sources: own income, grants from the *Bundesland* and grants from the Federation. Decentralisation is a core governance principle of the Austrian *Fachhochschulen* sector. The *Fachhochschulen* are institutions under private law with the legal structure of a GmbH (limited liability company), association or private foundation. *Fachhochschulen* are run by a business management, and possess different controlling bodies depending on the type of legal structure. Often the local government of the respective *Bundesland* (where the *Fachhochschule* is situated) is represented in these supervisory boards.

The main function of the Austrian *Fachhochschulen* is academic education of a specialised workforce for the regional economy (Lassnigg et al. 2003, p. 8). For this reason, the study programmes at *Fachhochschulen* are closely geared towards the demands of private business, and the content of study courses focuses on business administration and technologies. Although applied research and development – mainly in the field of technology – is part of the performance portfolio of the *Fachhochschulen*, it is of minor importance compared to universities. Only recently *Fachhochschulen* are increasingly committing themselves to research and development and play a more important role within Austrian innovation politics (Lassnigg et al. 2003, p. 123). The Austrian *Fachhochschulen* – like in other European higher education systems – show an ‘academic drift’. This means that *Fachhochschulen* are trying to bring themselves closer to universities by strengthening their research activities.

In contrast to the university sector access to study programmes at *Fachhochschulen* is restricted. In their admission procedures, *Fachhochschulen* examine not only the technical qualifications of the applicant, but also check if the prospective student matches the profile of the *Fachhochschule* and the study programme (cf. Messerer/Humpl 2003). Another striking difference between the FH and the university sector is that the state is responsible for overall planning in the *Fachhochschulen* sector on the system level.

- **Demand-related planning and funding of study place offers**

The Austrian Federation, *Bundesländer* and the *Fachhochschul* Council (a federal authority which is responsible for the admission of study programmes at *Fachhochschulen*) come together regularly in order to compile a development and funding plan for the entire Austrian *Fachhochschulen* sector. The current plan is valid for the period from 2005/2006 until 2009/2010 (bm:bwk 2004, p. 22). Although the *Fachhochschulen* are private organisations, the Federation grants them study place funding. For instance together with the *Fachhochschulen* the Federal Ministry for Education, Science and Culture negotiate about a financial grant that depends on the number of study places. The budget covers a maximum of 90 percent of the standard cost per study place. The standard cost comprises the current cost (staff and operating expenses) per study place. Financial investments have to be made without state support by the operating company of the respective *Fachhochschule*.

Before study programmes of *Fachhochschulen* can be approved, the providers must undertake an analysis of the needs and possible acceptance of the planned programme concerning actual and possible job profiles in their region. On the basis of these results they are obliged to design didactic concepts for the planned study programmes. The government finances study places according to a maximum of 50 students per programme. A standard cost contribution, related to the estimated number of first year students of a certain programme is granted by the government per year. In other words, the budget is continuously adjusted to the annually reported number of students. This creates a demand oriented market competition for students.

- **Quality proof as precondition for funding**

Accreditation of FH study programmes by the *Fachhochschul* Council is a prerequisite for a government grant. After successful accreditation and evaluation the study programme will be approved for a period of maximum 5 years (cf. Clementi et al. 2004). If the accreditation is successful, the study programme in question will be supported by the Federation.

As a general fact, a distinguishing feature of the FH sector is stringent systematic governmental steering. This regulative policy exerts pressure on FH providers of study programmes to continuously give account of their quality and performance. In return providers will have enough freedom of self-governance. The development and funding plans as well as the standard cost funding per study place gave both transparent institutional framework conditions and a comprehensible financial basis. *Fachhochschulen* as private institutions have developed a managerial attitude. The same development is now expected from universities: powerful and economising management, a developed planning culture as well as quality and human resource management.

4. Implementation

Governance reforms in the Austrian university sector were usually implemented in a top-down method by law. The current University Act (UG 2002) was developed in a communicative process between the Ministry and university rectors. It offered the possibility of participation of academic and administrative staff in session debates and workshops. However, the University Act of 2002 includes a strict implementation plan (§121), that gives a detailed description of instruments and time schedules for the implementation at universities. Although the Acts have been developed in a participatory bottom-up process the reforms were carried out in strong legal top-down processes. Austria did not further develop governance mechanism on the basis of evaluations, while such evaluations are carried out by the OECD for entire countries.

The accreditation councils have played an important role in implementing *Fachhochschulen* as well as private universities. Since each of the new study programmes and the new institutions must be approved by the accreditation councils, universities have to design their programmes according to certain criteria, e.g. standards of the quality of teaching. Accreditation is granted for a limited period of time and needs to be repeated after a certain period of time. The findings imply that a consistent and coherent implementation of quality assurance procedures for study programmes was possible because of a strong role of university councils.

5. Impact

The effects of governance reforms in Austria will be viewed on four levels: national HEI system, governmental HEI steering, steering within the HEI and results in teaching and research.

National HEI system

The establishment of new types of HEI, such as the *Fachhochschulen*, brought new impulses into the national HE system. For the first time the existing universities were in serious competition at least in the field of teaching. An increasing number of students chose the vocational-oriented study programmes of the *Fachhochschulen*: in comparison to 7,869 students enrolled in FH study programmes in 1998, in 2004 there were already 23,394 students. At the same time, the number of university students have dropped from 221,067 regular students in 1998 to 195,775 in 2004 (Federal Ministry of Education, Science and Culture 2005a, table 2.3.2). The university sector still has more than eight times as many students as the FH sector. Certain studies report a small – if at all – reduction of the burden for economic studies (Lassnigg et al. 2003, p. 107). Compared to these findings recently established private universities have remained rather insignificant. They can neither compete with the *Fachhochschulen* nor with the universities. With their special profiles, the private universities have only occupied small niches of the Austrian education market.

Governmental HEI steering

The creation of the *Fachhochschulen* sector in Austria presents new stimuli for governmental university steering. For the first time a successful reference model of a deregulated higher education area was created by a radically decentralised governmental steering system, which is open to competition, study place-related standard cost funding, as well as medium-term funding and development planning. This model also enabled an innovative mix of private and public funding. However, the university reform, which was launched simultaneously, does not make any explicit reference to the FH model. Instead the reform of the university sector was considered to be a separate process, which had to struggle with a strong traditional steering culture as well as specific organisational structures and behaviours. The first comprehensive reform approach (University Act in 1993) was not effective enough: Apart from the fact that new management structures (the rector as decision-making manager plus vice-rectors in charge of the departments) were implemented nothing else has changed significantly – particularly not the governmental steering: “It’s easy to see that neither the concept of individual autonomy nor the concept of autonomous collegial university is compatible with the ministerial reform approach.” (Pechar 2003, p. 85).

It is noteworthy that the initiative for the second reform step was motivated by the universities themselves, particularly by the new manager-rectors who took office during the 1993 university reform process. “The emergence of this new group of academics, which was small but quite influential, changed the power relations in the reform debate significantly.” (id. p. 86). Professionalisation of the top management had some effect, although this impact was slightly different from what the Federal Ministry originally expected. The manager-rectors demanded not only stronger institutional autonomy for their organisations but also a consistent change of the governmental steering according to the principles of the NPM (cf. Zechlin 2002). Since then these requirements were fulfilled when the University Act 2002 came into force. The expected positive effects of the comprehensive collection of new national steering instruments can only be cautiously predicted – if at all – since most of them have only been implemented very recently. What is perceptible, though, is that due to the conception of the governance mechanisms there is the danger of excessive steering (cf. Nickel et al. 2006). The combination of performance agreements, lump sum budgeting, performance-oriented allocation of funds and intellectual capital record is not only complex but requires a detailed modification of the financial records for university-internal processes and their results.

HEI-internal steering

The reforms in 1993 and 2002 had various impacts on the internal governance structures at universities. Although having little practical effects the 1993 reform raised awareness that universities need to be transformed into modern intellectual capital organisations with target-oriented management (Pellert 1999). One early and important step to reach this goal was made when professionalising the top management, the rectors and vice-rectors. In comparison to that, the 2002 reform affected the management instruments and procedures as well as the internal university organisation and human resource management. The change from governmental university steering to contractual management and increased legal autonomy of universities promoted intensive ‘managerialisation’ of universities.

A current problem is the demand for an internal quality management system. As of yet, no applicable model for quality management has been found that could link quality-assurance measures with strategic steering beyond evaluations of teaching and research. As an overall result, there is no evidence whether ‘managerialisation’ will have positive or negative effects on universities’ ability to self-governance. However positive outcomes in the personnel structure of universities derived from more legal autonomy: The number of employees has increased by 11 percent from 2002 to 2006; these figures relate predominantly to jobs for young scientists (bm:bwk 2006, p. 18 ff.). As an overall result a modification in the public services law has been successfully achieved: badly equipped universities were restored with temporary qualification positions. Another improvement was the increasing support of

women at Austrian universities. The Austrian universities have also caught up in terms of the support of women. On the one hand, it was mostly young female scientists who could profit from the newly created qualification jobs (id. p. 20). On the other hand the percentage of female professors could be raised from 10 to 14 percent.

The creation of university councils had an ambivalent effect. The selection procedures as well as qualifications of the members were criticised. Moreover, members of university councils did not always have a clear understanding of their roles and functions. Furthermore, power conflicts between the university council and the rectorate on the one hand and the university council and the academic senate on the other have not yet settled down (Laske et al. 2006, p.65 ff.). Such problems did not emerge at *Fachhochschulen*. Instead, they appear to function much smoother than universities. Firstly, because an architecture with management and supervisory board has always been a constitutive component of the institution. Secondly, because academic self-governing traditions were not present.

Teaching and research

The creation of the *Fachhochschulen* sector in Austria had a strongly positive effect on the permeability of the education system: students from strata of the population that are socially distant from education can be noticeably better mobilised (Lassnigg et al. 2003, p. 83). In the university sector, children from these strata of society are under represented. That is why only six percent of first-year students in the winter semester 2004/2005 were children of parents with a low level of education. One third has one parent with a university degree and over eight percent has both parents with a university degree. In the *Fachhochschulen* sector, children of parents with a university degree are clearly less represented; while more often children of parents with professional training take up studies (Statistics Austria 2006, p. 17-18).

Paradoxically open access to university study programmes has not – contrary to all original expectations – generated the same social opening to academic education as the *Fachhochschulen* offer did. The admission to study programmes at *Fachhochschulen* is regulated via admission procedures; however these programmes can be completed within a short period of time and offer good job prospects, a fact that fits very well with the demand for security of those strata of society distant from education. There is no knowledge about how the new bachelor's degrees at the universities that focusses strongly on 'employability' will contribute to a further mobilisation of those strata of society distant from education. In the winter semester 2003, approximately one quarter of Austrian university study programmes had been changed into a bachelor's or master's degree programme. At *Fachhochschulen*, this new structure was not widespread at that time (bm:bwk 2004b, p.8).

For all other fields of teaching it is difficult to draw conclusions on the effects of the link between the governance reforms and the achieved results. This is especially true for quality assurance in the form of peer reviews and students' evaluation of courses at the universities. A study on the *Fachhochschulen* sector (Clementi et al. 2004) indicates that external evaluations are considered helpful by the university management. However, it is still unclear what effects they have had on the improvement of the teaching and learning situation. To the same degree, it is not clear whether the additional money through tuition fees (introduced in 2001) is actually used for an increase in quality by the universities. Mostly HEI need the tuition fees to compensate their budget cuts. There is also no reliable information on whether or not Austrian universities were capable of reducing their drop out rates that are fairly high in an international context (Zechlin 2003).

Similar to teaching, it is also difficult to identify interdependency between the governance reforms and the development of research. All in all, Austria has increased its expenditure for research significantly from 1.44 percent of the Gross Domestic Product in 1993 to 2.35 percent of the Gross Domestic Product in 2005 (bm:bwk 2005b, table 10.1). More significant data will probably be provided when the first intellectual capital reports are available.

6. The current state of policy debate on governance

The Austrian Rectors' Conference was not only a driving force behind the second reform wave with the University Act 2002. Universities' rectors also influenced the political agenda of higher education policy in Austria. Their latest attempt aimed at changing open access to universities (Austrian Rectors Conference 2006).

Although faults and problems of open access to university studies have been addressed several times, Austrian politics still avoids a direct confrontation with this topic. A silent consensus among all parties not to touch the open admission to university studies hampers a political change. The Austrian Rectors Conference is now keen to change this and demands that "restrictions [may] no longer be taboo under qualitative points of view" (id. p.3). As a consequence of a judgement by the European Court of Justice in summer 2005, Austria introduced a *numerus clausus* regulating the access to some highly demanded study programmes. However, university rectors considered this regulation – only valid for a short period of time – to be deficient. According to them, there should be admission procedures instead, which the universities may define and which contribute both to offer mass education and to promote top performers. Moreover, the conditions for access to university study programmes shall be designed in a way allowing more higher education graduates to be trained. In the OECD comparison, Austria's quota of higher education graduates is too small. In 2004, only 19.6 percent of age cohort a year held a university/*Fachhochschule* degree (OECD 2006, table A 1.3). The Rectors' Conference considers the introduction of study place-related funding a necessary step to attract more students. The *Fachhochschulen* sector shows a model that is similar to study place funding.

According to the Austrian Rectors Conference, an agreement on profiling and further development of the four higher education sectors (public universities, *Fachhochschulen*, private universities, teacher training colleges) is needed. For this purpose, a concept must be developed. As an overall result, the university rectors are satisfied with the governance reforms, particularly with increased institutional autonomy. Nevertheless, they criticise the interplay of the leadership bodies that does not function well enough. They urge the government to pay more attention to candidates' qualifications when appointing members of the university council.

The Austrian government is still busy with implementing the new steering instruments prescribed in the UG 2002. In autumn 2006, contracts between universities and the Ministry were concluded for the first time. All in all, the political situation in Austria has been unstable in the last couple of months, since there was no winner among the parties following the elections for the National Council and coalition talks have not shown relevant consequences. HEI policy does not play an important role in these negotiations except for the debate about the abolition of tuition fees.

7. Conclusion

What can other European countries learn from the Austria HEI reforms of the last decade?

1. The Austrian example demonstrates the importance of designing the reform process in a style that makes university management feel at least responsible for it. One of the most significant differences between the two major university reforms in Austria is the process of professionalisation that was carried out between the reform waves of 1993 and 2002. During this time manager-rectors and their partially full-time vice-rectors aimed at expanding their power in an increasingly autonomous institution. But it is still unclear whether the introduction of university councils has had positive or negative effects in this situation. First studies show – at least for Austria – that there is no satisfying balance of power between the two management bodies up to now.
2. Full legal entity of universities has not only increased institutional autonomy, but also produced external pressure on the institutions to develop quickly into a knowledge organisation, which is equipped with adequate management structures and acts economically and goal-oriented. Since the changes took place very recently, it is still too early to assess the effects on working conditions and institutional efficiency. However, the increased legal independence from the government demonstrates a positive impact on human resource management at universities. The fact that academic and administrative staff is no longer employed by the state but directly by the universities resulted in more flexibility in the personnel sector and led to an increased number of jobs for young scientists.
3. With the aim of deregulating governmental steering at Austrian universities a wide range of new management instruments was implemented (contract management, lump sum budgeting, performance-based allocation of funds, intellectual capital report etc.). At once universities had to deal with the implementation of this wide range of new steering mechanisms. In this view Austrian politics appear to have exposed universities to an “intervention staccato” (Pellert 2003). In addition to that no significant connection between the governance reforms and the results from research and teaching has become visible yet. This is especially true for the increased efforts in implementing quality assurance mechanisms and other Bologna goals. There is a danger of a too extensive loss of energies in the ‘managerialisation’ of universities without achieving substantial results.
4. The introduction of *Fachhochschulen* has had positive effects on the entire Austrian education market. Study programmes at the *Fachhochschulen* are vocational oriented alternatives to study programmes of the universities. This development improved the social permeability of the education system considerably. Due to their practical focus and emphasis on calculable study periods in addition to good job prospects afterwards, study programmes at *Fachhochschulen* attract children from families with a low level of education. These experiences serve as good arguments for the binary higher education system. Already in 1998, Burton Clark pointed to the possible negative effects if countries like the UK have only universities in their higher education system: “While such institutions as polytechnics and teacher training colleges are blessed with the university title and brought into all-encompassing system, the differentiation of institution, programs, and degree levels continues. The university label is stretched to give it multiple meanings and usages.” (p. 132).
5. Open access to public universities has however not achieved its purpose of increasing the social permeability of education. Both the capacity overload at universities and the positive effects of restricted admission at FH support the argument to abolish open access at public universities. The example of the Austrian *Fachhochschulen* shows that it is possible to fix the costs per study place transparently. This calculation can serve as a basis for negotiations between the government and the universities about the number of funded study places. Consequently, universities would be able to influence the number of their study places.

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Higher Education Governance Case Study: Norway¹

Executive summary

The case study describes and discusses recent changes in the governance arrangements of higher education institutions in Norway. Although dependent on past reform history and long-term attempts of strengthening institutional autonomy of Norwegian universities and colleges, the case study shows that major changes have taken place since the implementation of the so-called Quality Reform in 2003. This reform, aiming at improving academic quality, the efficacy and efficiency of the sector while also adjusting the higher education system to the Bologna process, has meant full institutional autonomy with respect to how institutions are organised internally (below the level of board/rector). The result is that a number of institutions have changed their governance systems from elected to appointed deans and department heads with full academic and administrative responsibility, and with an elimination of boards and councils at lower levels.

It is argued that the experienced change is a result of a comprehensive reform effort including both new funding systems and new formal requirements concerning the establishment of institutional systems of quality assurance. Put together these elements have provided the new leadership and governance system with room to manoeuvre as well as instruments to manoeuvre with. Although it is difficult to establish a causal relationship between changes in the governance arrangements and outcomes of the system, data indicate that the system is becoming more efficient and result-oriented. Studies also show that academic faculty values many aspects of the new governance arrangement. Hence, the emerging “managerial” system of institutional governance (appointed leaders, elimination of boards at department/faculty levels, etc), does not necessarily affect the actual influence of the staff at the institutions. On the contrary, data show that academic leadership has instilled confidence in the emerging situation where boards have been eliminated and leaders appointed.

1. Introduction

In Norway, the higher education system is divided into a university sector and a college sector. There are six universities, of which two have recently been granted this status. In addition, there are five specialised universities in e.g. physical education, music and agriculture, which also belong to the university sector - although with a much smaller student body. The college sector comprise 25 state institutions (of which four are entitled to offer PhD programs). The college sector was reorganised in 1994, reducing the number of institutions from over 100 to the current number. The two sectors are of almost equal size when it comes to the number of students enrolled, a fact implying that Norway has a larger college sector than many other European countries (Kyvik 2004). Since 2003, colleges offering a minimum of four doctoral programmes can apply for university status. Also, there are about 25 private higher education institutions in the country. With the exception of the Norwegian School of Management (BI) with more than 10.000 students, most of the private institutions are quite small. Even if one can distinguish between different types of higher education institutions in Norway, higher education is still rather coordinated and integrated. A common Act is valid for all public higher education institutions, and transfer of credit points and recognition of study programmes across institutional types are mandatory and in most cases unproblematic.

¹ This case study was written by Bjorn Stensaker and Ingvild Marheim Larsen

Norwegian higher education has expanded tremendously according to student numbers during the last decades. In the late 1980s about 105.000 students were registered, while a decade later more than 180.000 students were undertaking various forms of higher education. Today the total number is closer to 210.000 students (of which 27.000 are studying at private higher education institutions). Traditionally, university degree types were inspired by the continental university model, with a four-year first degree, and a two-year second degree on top. Some professional degrees have traditionally differed from this structure (e.g., teacher training, medicine, etc). In the college sector, the first degree traditionally varied between two and four years. Normally, a second degree has not been offered in the college sector. During the last decade, however, a few colleges have been granted the right to offer second-degree programs and even doctoral studies in given subjects.

However, the Norwegian higher education system is in a process of reform as a result of the implementation of the so-called "Quality Reform" (St. meld. nr. 27 (2000-2001)). This reform, implemented since a 2001 white paper and amendments in legislation in 2002, and with mandatory changes within higher education institutions required from 2003, is a result of:

- The need for quality improvement in higher education and research (student drop-out, delays before graduation, emphasis on student learning, and better follow-up of students)
- The Bologna Process and Norway's obligations in that respect.

The Quality Reform encompasses the following elements:

- Change in governance structures at the institutional level allowing institutions more autonomy concerning organisation and management issues
- Increased institutional autonomy, for example concerning the introduction and repeal of courses and study programmes, and what study programmes institutions want to offer
- A new funding formula for the institutions emphasizing accomplishment of results and institutional output to a larger degree than former funding systems
- The introduction of a compulsory national quality assurance system and the establishment of an independent quality assurance agency (the Norwegian Agency for Quality Assurance in Education - NOKUT). Accreditation of institutional status is introduced along with systematic evaluations of institutional quality assurance systems
- A new degree structure according to the Bologna Process, introducing a bachelor's, master's and ph.d degree system according to the 3+2+3 model, and the launching of a new grading system based on the ECTS
- New forms of student guidance, evaluation and assessment intended to improve the follow-up of students, reduce drop-out and interruption of studies, and to stimulate students to complete their studies at a younger age
- A new scheme for financial support to students, linked to the former point in that it is designed to stimulate timely completion of studies
- More emphasis on internationalisation as a means to improve the quality of Norwegian higher education, and the establishment of the Norwegian Centre for International Cooperation in Higher Education (SIU)

Traditionally the higher education system could be said to belong to the continental mode of steering with emphasis on input based factors (e.g. number of students) instead of output factors (number of graduates produced). However, during the 1990s the state steering of the sector has changed as a result of ambitions of strengthening the institutional autonomy and the internal governance and management structures of higher education institutions.

2. The policy problem/objective

The main factors driving the changes in governance and management of higher education institutions can be summarised as follows. First, in the last two decades one can identify a strong political belief in decentralisation as a means of creating a more effective and efficient public sector in general. This belief has been rooted in what many refer to as New Public Management as a way of modernizing the public sector. Second, an increasing political interest in higher education can be identified, as well as the significance of this sector as a means to renew and stimulate other sectors in society. Third, and more specifically related to the Norwegian higher education system and its continental roots, leadership and management has traditionally neither been emphasised, nor assessed, as an important characteristic of the institutional governance arrangements. In many ways, this has been a neglected area with respect to the functioning of the higher education system up until the early 1990s. Since then, and partly interrelated to the other reform trends described, institutional leadership and management has been sought developed in various ways. To fully understand the changes following the Quality Reform, one need to develop a better understanding of the past reform attempts in this area.

A natural starting point for a more historical account of the developments of governance and management systems in higher education institutions is the mergers in the college sector in 1994. This reform, aiming at creating larger, more effective and efficient institutions, had a strong focus on developing and improving their administrative systems, enhancing the strategic capacity of the new institutions especially emphasising the responsibility of the board (Larsen et al 2004). One aspect of the changes implemented in this period was the development of more flexible internal arrangements concerning allocations of tasks of academic faculty, e.g. in using non-tenured staff to certain tasks (teaching), to hire personnel for shorter periods and projects, increasingly differentiating between staff according to terms and conditions. Another aspect was to strengthen the strategic capacity of institutions.

Changes in legal framework in 1995 implied *inter alia* an increased responsibility of the board of higher education institutions, and as such, to strengthen the institutional autonomy of the colleges and universities. As part of this change, external members of the board were introduced, although external members still had a minority of the votes. To increase the decision-making ability of the board the size was also reduced to a maximum of 13 members.

Other changes in governance and management systems were rather modest. The Rector was still an elected position, and also acted as the chairman of the board. The internal governance and management system of universities and colleges was characterised by a so-called dual-structure during this period, implying separate academic and administrative lines of command from the institutional level and down all the way to the individual departments. In addition, academic boards at both the faculty and department level were responsible for all major decisions. However, the elected academic leaders were, as at the institutional level, the chair-person of these boards.

This system functioned for a decade. The experiences from this governance arrangement can be summarised as follows (Larsen et al 2004): Concerning the board, studies have revealed that the ambitions of becoming a more strategic body was shared by a majority of board members, but that the board, in reality had less opportunity to act as a strategic body due to a high number of administrative tasks. One study revealed that academic staff in general displayed a positive attitude towards the inclusion of external members in the board (Larsen 2002). It was especially emphasised that external members added new and other types of competence to the board and their discussions. In this period, a growing acknowledgement of the board as a professional arena, and not as an arena for interest representation may be observed.

With respect to academic leadership in this period, the prevailing argument stemming from a 1990-91 white paper on higher education, was that dual management structures would provide more space for the academic leadership to concentrate on academic issues. The intention was to disengage them from administrative responsibilities they did not have the competence or interest to deal with. However, experiences with this model have been quite mixed. In general, this governance model did not change the interest of the individual to take on leadership tasks. In this period, it was still rather difficult to recruit candidates to leadership positions, and accepting such a position was often seen as obligation. Still, a study on academic faculty showed little willingness to change the power of the academic leaders (Larsen 2003). Only a minority among the academic faculty in Norwegian higher education would in this period restrict the selection of academic leaders. Only staff at professorial level to be eligible for election to leadership positions. Concerning experiences with the dual structure, studies indicated that this structure was very much dependent on the personal relationship between the two people in charge, and that one in general could identify a significant potential for conflict, not least stemming from quite lengthy and unclear decision-making processes in which the same issue had to be discussed in decision-making bodies at the same hierarchical level. Another problem detected within this model was that the continuity in the organisation was taken care of by the administrative leadership providing fewer possibilities for the temporary (elected) academic leadership to influence decisions. Still, in some institutions the formal lines of command were not seen as important, and especially within universities one could witness the emergence of informal management teams consisting of a mix of administrative and academic personnel.

During the 1990s, academic councils experienced a general diminishing interest in their work. One explanation for this can be related to the stronger role of the board, and that academic councils had less to discuss, resulting in less influence. Another explanation is that the before mentioned "management teams" actually discussed the same issues as the councils, and that important informal decision-making were moved from councils to management teams.

During the 1990s, several studies identified also changes in the administration of Norwegian universities and colleges (Gornitzka & Larsen 2004). The main tendencies may be summaries as a growth in the number of administrative personnel and an increased professionalisation of administrative tasks and responsibilities. Although the academic faculty can be said to be not very positive towards an increase in the administrative staff, several studies did still reveal a quite high level of trust in the administration, especially at the same hierarchical level.

As illustrated above the studies on the effects of the governance and management arrangements in the period between 1995 and 2003 revealed significant variation in how it was perceived by academic faculty. Interestingly, the same variation did also occur with respect to the preferred governance and management model. Hence, a general conclusion was that academic faculty considered several different governance models as potentially relevant in further developments of their higher education institution.

3. The content of the governance reform

Although not necessarily based on these findings, the governance arrangements suggested as part of the Quality Reform in 2003 did allow for more diversity between higher education institutions concerning their internal governance arrangements. The main elements were:

- Further enlargement of the number of external members in the board (to four), and a further reduction in the total number of board members (to eleven members).
- Two main models of institutional leadership (board/rector) are formally allowed: The normal arrangement is where the Rector is elected. This implies that the Rector also is the chairperson of the board. However, if this model is chosen by the board, the institution

must have dual leadership at the institutional level and must appoint a director responsible for all administrative matters at the institution. The alternative model is where the rector is appointed by the board (for a limited period). One of the external members must then act as the chairperson of the board, but the Rector has full academic and administrative responsibility (no need to appoint a director). Two third majority among the board members is required if the institution should go for the alternative model.

- Student participation in the governance of higher education institutions at the institutional level is still emphasised. Student representatives should have at least 20 percent of the seats in boards (if such exists), two seats at the minimum in the boards of the institution.
- Other than this, the board can independently design the institutional governance arrangements, and may or may not allow boards and councils at lower levels, appointed or elected academic leaders, or a dual or integrated management system as preferred. The only requirement is that every higher education institution must have a council responsible for the “institutional learning environment”, but this body has no decision-making powers.

Concerning the formal status of higher education institutions, a green paper preparing for the current Act on Higher Education from 2005 initially suggested that institutions should be self-owning institutions with a majority of external board members and with an external chairperson of the board. This would have implied full ownership of real estate and full economic independence (although not implying an opening up for tuition fees). However, in the debate that followed the suggestion the Parliament (the Storting) decided that the existing formal status of Norwegian higher education institutions should be prolonged, meaning that they today are state owned organisations with extended rights and duties. This implies that universities and colleges have more limited autonomy from the state although quite extended autonomy with respect to internal organisation as described above.

The means which can be said to support the governance reform can be summarised as follows:

- A new Act on Higher Education in 2005 specifying the formal aims and activities of universities and colleges securing them academic freedom concerning the content of teaching and research while at the same time requiring cooperation between higher education institutions and civic and working life, responsibilities for disseminating knowledge, and providing continuing and further education programmes.
- A more result-based funding scheme pushing the institutional leadership to take more responsibility for efficiency and quality of services and activities. Combined with earlier reform measures including the introduction of a net-budgeting system allowing institutions to keep any financial surplus of their activities, to more easily switch funds between staff and running expenses, and to combine public with private funds and resources, the “economic autonomy” has been considerably strengthened.
- An institutional accreditation scheme providing institutions with certain right to establish or close academic programmes dependent on their status as “university”, “specialised university” or “college” (for example, if given the status as a university this means that a given university is a self-accrediting body which can establish or shut down programmes without any external approval).
- One of the mandatory requirements in the new Act is that every higher education institution must have an internal system for quality assurance identifying the board as the body responsible for this. Such systems are checked regularly (every sixth year) by an external quality assurance agency (NOKUT). If institutional systems for quality assurance are not satisfactory, the institution loses its self-accreditation rights, and must apply for external accreditation for every new programme offered.

Compared to past governance arrangements it may be argued that these requirements and regulations provide the institutional leadership (Board/Rector) with a rationale for taking actions. While the governance arrangement prior to the Quality Reform especially aimed at strengthening institutional leadership and autonomy, there were few elements in the funding system or in the formal recognition/national evaluation system that rewarded such actions. In other words, there were few consequences of not taking action in the old system.

A related development triggering the need for “action” is that the tendency towards increased institutional autonomy is balanced by attempts to strengthen accountability. Hence, the establishment of an external quality assurance body with independent power could be seen as one way of improving the level of accountability. Beside the system of accreditation and evaluation, other quantitative and qualitative systems for checking on efficiency and effectiveness issues have also been established.

On the quantitative side, the setting up of a national database for higher education (DBH) has been an important step towards improving the performance indicators of, and the information on, the sector. DBH contains information on staff, students, mobility as well as financial data, and is mainly used for planning, monitoring and budgetary purposes by the Ministry. DBH, however, is accessible to everyone, and can also be used for transparency/accountability purposes. Other quantitative data are collected regularly and analysed for continuing and adult education, R&D and other areas.

As part of the budgetary process, the Ministry also requires an annual report from every higher education institution on their results and achievements and future plans. This report is also used as a basis for consultative annual meetings between representatives of the Ministry and the individual institution. The reports and meetings are important for monitoring the system, as well as for setting targets and objectives for the coming years. This form of a dialogue-based approach between the Ministry and the public higher education institutions has a long tradition in Norwegian higher education (Bleiklie et al 2000), and in recent years it has been formalised as a standard procedure.

4. Implementation

Implementation of the governance reform has in general been left in the hands of the institutions themselves. The Ministry of Education and Research has not instructed any institutions concerning their choice of system, although the Ministry has rejected some applications from institutions wanting to establish governance models not specified in the law.

Concerning how changes have come about, the general trend is that institutions have initiated an internal evaluation of their organisational and governance structures. In this process, academic and administrative staff, unions and students have been part of the evaluation, although the decision to alter the governance has been taken by the Board. Since issues concerning internal organisation and governance are sensitive, some institutions have chosen to hire or work with external organisations to increase legitimacy and validity in the process. Still, this has not prevented some heated discussions concerning the potential negative impact of changing organisation and governance structures. A reoccurring issue has not least been whether university democracy will suffer as a result of the new governance arrangements.

In an early study on how public institutions have adapted to the new freedom of choice, Larsen et al (2004) found that following changes were taking place:

- an elimination of the academic councils (especially in the college sector)
- a tendency towards integrating administrative and academic responsibility at the faculty/department/institute/unit level with appointed academic leaders heading departments
- a tendency to remove departmental boards and replace them with consultative bodies, staff meetings, etc.
- a strengthening of the hierarchical structure of the institutions through new reporting mechanisms, internal budgeting systems, etc.
- greater variation in institutional governance arrangements, sometimes combining elected academic leadership in some departments with appointed ones in others, with similar variation at the faculty level (disciplinary differences)

As part of the national evaluation of the Quality Reform, later studies have confirmed this picture. However, Bleiklie et al (2006) have shown that universities, with one exception, have kept the traditional governance model with an elected Rector (Chancellor) who also acts as the chair-person in the Board. At lower levels, there are more signs of change as appointed leaders at department level have been the preferred model for a majority of the universities. However, there are ongoing processes in many institutions and more changes could be expected in the near future.

Within the college sector, four have chosen the model of having an appointed Rector with an external chair-person of the Board. Interestingly, there are a number of the colleges and some universities that have initiated more comprehensive internal reorganisations, for example by eliminating the department level and strengthening the faculty level.

For the only larger private higher education institution in Norway, the Norwegian School of Management (BI) the Quality Reform has meant little change. For years, this institution has been governed by a Board where the majority of members are external, and where appointed academic leaders is the common structure of organization at all levels (Bleiklie et al 2006).

5. Impact

Studying the impact of public sector reforms is difficult. Specifying a causal model pointing out the links between governance arrangements and output is one problem, the complexity surrounding the implementation of reforms is another, and the complexity in the functioning of universities and colleges is a third problem. Still, there are signs that the Norwegian higher education system is changing *in parallel* to the Quality Reform. Some of the effects detected are:

- A reduction in the number of students failing during examination (Hovdhaugen 2006)
- An increase in the number of credits (ECTS) taken and in the number of graduates (Hovdhaugen 2006; Frølich 2006)
- An increase in the number of students in higher education of non-western ethnic background (Hovdhaugen & Aamodt 2006)
- An increase in scientific publications in peer review journals (Frølich & Klitkou 2006).

The problems of relating these results to the Quality Reform is that some of the changes with respect to output started before the implementation of the reform, and that some measures, for example related to funding, have been implemented just recently. Still, one could argue that the Quality Reform may have had some impact on these results. The fact that an improvement in student output (credit points, graduation, reduced failure rate) before implementation of the reform may be observed, can, for example, be related to the fact that some institutions started their implementation of the reform prior to the set date (Michelsen & Aamodt 2006; Frølich 2006). On the other hand, some of the detected changes in results and output should also cause some worries. For example, a recent study found that student drop-

out has not changed since the late 1990s, and socio-economic background is still a significant factor explaining the potential for drop-outs between different groups of students (Hovdhaugen & Aamodt 2006).

However, instead of trying to identify the causal links between governance and output, one could apply an indirect approach and ask the academic faculty how they perceive the new governance arrangements implemented. Based on a representative survey on the academic faculty in Norwegian universities and colleges some interesting findings have come to the fore (Bleiklie et al 2006). Given the often heated debates surrounding changes in the governance structures, one should, for example expect a quite negative attitude towards the new and more “managerial” models implemented in some institutions. Although such scepticism may be noticed, the survey still indicated that academic faculty with elected leaders actually had less influence on decision-making processes than those with an appointed leader. The survey revealed that influence often occurs through dialogue between leadership and staff, and that such a dialogue is a vital characteristic in Norwegian higher education institutions after the Quality Reform. The ability to establish such a dialogue seem very important for the perception of the governance arrangement: The more distance between levels of faculty and leadership, the more likely it is that faculty prefer elected leaders, while those close to the leadership want to maintain appointed leaders.

Interviews with academic leaders and academic faculty in Norwegian universities and colleges shed some further lights on these finding by emphasising that formal structures not necessarily change some of the underlying processes in academia. As one recently appointed department head at a Norwegian university argue:

“My perception of academic leadership is that you still need to enhance cooperation between your colleagues, and decisions taken still need academic legitimacy. You need this acceptance, and your discretion as leader is partly conditioned by the need for this legitimacy”.

Hence, the “sounding out” processes trying to find workable solutions is still a vital part of the decision-making procedures. The difference from the past is that this is now a much more informal procedure than before (when such issues were discussed in various boards and councils), but also, as a recently appointed college dean report, that:

“The formal decision-making procedures are so much more transparent than before. The decision is taken by one person, and I bear the responsibility for it, although I seldom reach decisions which are not supported by my own management team”.

As such, one might argue that old forms of collegiality are being replaced by “new forms” of collegiality, but where the “collegium” is more characterised by being hand-picked for their academic and administrative qualities than their representativeness. Hence, one might argue that the new “managerialism” is more academically qualified than the past management structures.

Interviews with leaders, staff and students at universities and colleges further discloses that the new lines of conflict do not go between staff and leadership at the same hierarchical level, but between different levels in the organisation. The new structures, resource allocation systems and responsibilities have created more room for the institutional leadership. As a staff member of a university department expresses it:

“We are now more concerned with what happens at the central level than before. We do see that decisions taken at that level affects us to an increasing extent. This has caused stronger tensions and brought to the fore issues concerning how much autonomy we have as a department, and to what extent we can create our own development strategies”.

Still, when summing up the experiences with the new governance and management models being implemented in Norwegian higher education, Bleiklie et al (2006) concluded that the new governance arrangements have not caused a general dissatisfaction or lack of trust in the new leadership. On the contrary, a majority of academic faculty has much confidence in their leaders and seems to trust them also in a situation where boards have been eliminated and leaders appointed.

6. The current state of policy debate around governance.

In a national background report to the OECD concerning future policy direction with respect to the governance of the higher education system in Norway, the Ministry of Education and Research highlighted the following three aspects (Norwegian Ministry of Education and Research 2005):

- The need to strengthen the strategic abilities and autonomy of the higher education institutions is still seen as vital. The Ministry argues that this process is not meant to alienate academic faculty, or to reduce the overall responsibility of the Ministry of Education and Research for the system. The concern seems rather to find a new balance between the public expectations directed at the sector while stimulating institutional creativity and responsiveness. Identifying the subtle instruments and refined steering arrangements required for this to succeed seems to be of high priority for the future.
- One can also notice a strong political interest in developing new and more refined instruments for institutional and national monitoring and reporting of outcomes of higher education. Such instruments will most likely have several purposes. First, they are intended to improve the basis for governmental decision-making and steering of the sector in a period when the institutional autonomy is increasing. Second, they are intended to increase transparency and information about the sector to its many stakeholders, including students, parents, industry and society in general. Legitimising higher education and research in the general public by making results known and, generally, enhance the interest in and knowledge about science and scientific activities can be considered as one of the important aims in this respect. As part of this process, the establishment of systems that address issues relating to student learning and learning outcomes is given high priority.
- Further refinement in the funding arrangements of HEIs, geared more towards rewarding accomplishments and results while safeguarding vulnerable and important academic areas and activities, will also remain high on the priority list. Included in this effort is a strong political interest in optimising the balance between the resources put into higher education and the overall outcomes of the sector, the balancing and linkages of resources put into education versus research, and in increasing other sources in the funding of higher education without jeopardising the principle that education should be free of charge.

The latest policy development concerning the governance of the higher education system in Norway is the appointment of a public committee by the Ministry of Education and Research. The mandate of this committee is to discuss and elaborate the structure of the Norwegian higher education system for the next 10-15 years. The result of the committee's work, which will be a green paper presented in 2007/08, is expected to deal with issues concerning:

- The regional role of higher education (including size, location and profile of institutions)
- The division of labour between universities and colleges, and especially issues concerning institutional drift (colleges wanting university status)
- Gender, equity and internationalisation issues

7. Conclusion

The newly appointed committee which will deliver its green paper in 2008 can be interpreted as a step towards a shift in the political interest concerning governance. While many reform efforts the last 20 years had an intention to increase institutional autonomy, strengthen institutional leadership and enhance professionalism in university governance, the mandate given to this committee signals is in many ways a return of the state, addressing the question of how far institutional autonomy goes with respect to developing institutional strategies and missions. The committee can be seen as a first step in a process of clarifying the respective roles of the state and the institutions after twenty years of reform. The background for this interest is undoubtedly related to the fact that several colleges in Norway want to become universities and that this might change the structure of the whole higher education system. One could also suspect that stronger institutions sometimes create strategies and missions that are not in line with the political agenda, and that the committee is an attempt to find a new balance between long-term development and short-term needs in the Norwegian higher education system.

However, looking back at the reform attempts, and especially the Quality Reform, it is possible to identify some findings and experiences that should be transferable to other contexts than the Norwegian:

- One lesson seems to be that changes in governance systems needs to be interrelated with changes in other elements creating space and providing tools for the institutional leadership. Past reforms in Norwegian higher education did not create much room for leadership, while one could argue that it is the totality in the changes in the funding model, in the request for institutional systems for quality assurance, and in formal institutional autonomy as a consequence of the Quality Reform, that is a vital explanation for the changes witnessed.
- Another lesson is that an emerging “managerial” system of institutional governance (appointed leaders, elimination of boards at department/faculty levels, etc), does not necessarily affect the actual influence of the staff at institutions. While influence of staff in the former system was dependent on participation in councils, boards and by knowing the “right people”, the new system is more dependent on leaders willing to listen. Available evidence suggests that the new appointed leaders indeed listen to the staff, and academic legitimacy perhaps is even more prominent in the new system than in the old (since “representation” was considered as an important source of legitimacy). Partly related to this is also findings revealing that external members of boards are often seen as offering new insights and perspectives in strategic discussions (Of course, one should notice that external members are not in a majority in institutional boards in Norway, making their presence less influential than if they had majority).
- A third lesson is perhaps the “autonomy paradox” emerging as a result of the Quality Reform. Available evidence suggests that while the institutional leadership has increased its autonomy as a result of the reform, the feeling among academic staff is that of losing autonomy. A different interpretation of these findings is that the “identity” of the institution has become stronger while the “local identity” at the department level is weaker than before. The irony concerning this finding is perhaps that this development is occurring while rather traditional governance structures are being upheld at the very top level (elected rectors, and with the rector acting also as the chair-person of the board). Hence, one could argue that the trust/distrust issue is perhaps not related to the choice of “management system” *per se*, but to other aspects of how higher education institutions currently are governed.
- Finally, and concerning the increase in student output after 2000 (with respect to the number of ECTS taken, graduation rates, etc.), one can argue that the issue of integration might well be a possible explanation for some of the efficiency gains seen in the last 5-6

years. The fact that institutions are rewarded for student output, the fact that students are more closely followed up through their studies, and the fact that students also are economically rewarded for completing their degrees within a given time limit, are three factors that most likely interact creating an increased attention on the “output”-dimension. However, it should be underlined that hard empirical evidence is lacking concerning the possible positive relationship between funding and pedagogy.

While there might be lessons from which others could learn, one should also notice some Norwegian particularities making knowledge transfer more difficult. One issue in this respect is the level of funding in Norwegian higher education. Although the sector might disagree whether the Quality Reform was “fully funded” or not, it is a fact that the reform implied extra resources transferred to the sector (Ministry of Education and Research 2005). Hence, in general the economic climate surrounding the Quality Reform was very positive (Michelsen & Aamodt 2006). One can speculate whether changes had been the same if not the extra resources had been available. This is clearly a situation not enjoyed by all countries initiating reforms of their higher education system.

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Higher Education Governance Case Study: the Netherlands¹

Executive summary

This case study examines the governance of the Dutch higher education sector, in particular the university sector. After the Second World War the involvement of the Dutch national government in higher education intensified and this was reflected in a range of laws, decrees, procedures, regulations and administrative supervision. At the same time, academic matters were almost exclusively the domain of professionals. In those days executive leadership was relatively weak. Since the mid of the 1980s things started to change. The government intended to steer from a distance, to grant universities more institutional autonomy while at the same time requiring more institutional accountability as regards teaching and research. The year 1985 reflects the start of the shift 'from government to governance' in Dutch higher education, including the promotion of the marketisation of higher education. Since then many reforms have taken place, all pointing into the direction of more institutional autonomy. Several drivers for change can be mentioned: the fiscal crises of the state; disappointing achievements of the state; the globalisation, internationalisation and Europeanisation; the ideological shift towards the market; and the rise of new public management approaches. One of the major reforms in the Netherlands concerns the internal governance structure of universities.

In 1997 the 'university as a representative democracy' was replaced by a governing structure in which executive leadership was strengthened: powers were concentrated, democratically chosen councils lost significant powers, and traditionally strong and conservative decision making bodies such as the 'vakgroep' were abolished. The "toppling" of the Dutch university – vertical authority relationships were stressed instead of horizontal ones – became a reality. The combination of the devolution of responsibilities from the national government to the individual university and the assignment of significant powers to the university's management has created the 'managed professional public organization'.

On average the Dutch university community is by and large satisfied with this more corporate-like university. The introduction of NPM-like principles has not led to 'unmanageable universities'. On the contrary, despite some justified concerns, the decisiveness and effectiveness of the universities has increased, without having completely destroyed consultative and informal mechanisms of decision-making. The Dutch case shows that stronger executive leadership with clear lines of responsibility enhances the strategic responsiveness and profiling of the institution in several ways. It may serve as an example of smart executive leadership leading to an entrepreneurial organisation in which academics can still do what they do best: teaching and research.

1. Introduction

The Dutch national government has traditionally played an important role in the coordination of higher education, and to a lesser extent, research. Dutch higher education and research has been regarded as a national affair and as a public good; private higher education plays only a marginal role. Dutch higher education is organised as a binary system, consisting of thirteen universities and just over forty institutions for higher vocational education (in Dutch *hogescholen*). The university sector (app. 200,000 enrolments in 2005 and app. 47,000 employees) and the *hogeschool* sector (app. 360,000 enrolments in 2005 and app. 34,000 employees) have clearly different historical roots, reflected among other things in their external and internal governing structures. The main aims of *hogescholen* and universities are

¹ This case study was written by Harry de Boer

formulated in the national Higher Education and Research Act of 1993. Whereas the aims of the *hogescholen* mainly relate to the application and transfer of knowledge with respect to specific professions, the universities' aims also refer to the autonomous performance of scientific research activities and to their responsibility for providing a number of official services to society.

The 13 universities have been separate legal entities since 1960 (public incorporated organisation). They differ, among other things, in size and age. The first university was for instance established in 1575, the last in 1976. At the same time the Dutch university sector has low levels of systemic diversity. League tables are for instance unknown up till now. The sector is an example of 'egalitarian thinking' that characterise(s) Dutch society. Status stratification has only become something of an issue in the last few years. Ten universities are public institutions; the other three are private but publicly funded. The main aims of the universities are the provision of teaching, research and community services.

Due to a different history the hogeschool (HBO) sector took a completely different route. In 1968 the Act on Secondary Education became the legal foundation of the HBO-sector. Because of the steep growth in this sector, as in the university sector, and its rapid development of capacities, discussions started to incorporate the *hogescholen* in the higher education system. Consequently it became (legally) part of the higher education sector in the 1980s. In 1993 both the universities and the *hogescholen* fell under the regime of one national Act on higher education, which maintained however a binary structure (exemplified through the slogan 'equal but different'). The organisational features of 'typical academic research universities' (e.g. with respect to academic self governance) were by and large unknown in *hogescholen*. Also, generally speaking, state control was much tighter for this sector than for the university sector. In this case study the focus will be on the university sector.

Since the Second World War the involvement of the Dutch national government in higher education has intensified. This development was considered inevitable given higher education's quantitative expansion. Since the 1950s the number of universities has grown from ten to thirteen and student numbers have increased from 25,000 in 1950 to nearly 200,000 in 2005. In the 1960s and 1970s government interference in the public sector reflected the spirit of the times. The expanding detail-interference of the national government expressed itself in a range of laws, decrees, procedures, regulations, and administrative supervision. At the same time, academic matters were almost exclusively the domain of the professionals. In fact, academic self-governance - regarding academic matters - and state regulation - regarding non-academic matters - went hand in hand. Managerial governance was almost completely lacking due to the weak position of the university between a strong state and a strong profession. Governance in those days was a combination of faculty guild and state bureaucracy (Clark 1983); a mode of coordination also known as 'bureau-professionalism' (Clarke and Newman 1997).

The late 1970s and early 1980s heralded an even stronger influence of state regulation. In restructuring the Dutch public sector retrenchment policies were the order of the day as a result of attempts to reduce overall expenditure. Many of the reforms that followed in the 1980s would most probably not have taken place without the felt need to cut public budgets.

The mid-1980s were, with hindsight, a time of fundamental change. In 1985 the government introduced the concept of 'steering at a distance', in which firm beliefs in the virtues of regulation and planning were meant to be replaced by a philosophy in which the government's role is confined more to setting the boundary conditions within which the higher education system is to operate (Goedegebuure *et al.* 1994). At the same time, the autonomy of universities should be enhanced and the self-responsibility of the universities emphasised. This steering concept is known as the 'HOAK-philosophy': Higher Education Autonomy and Quality. State regulation did, however, not disappear. In exchange for more autonomy, more institutional accountability was regarded as a prerequisite for the government to fulfill its constitutional responsibility for the provision of higher education.

These principles are by and large still the points of departure in the sector's governance. The 1990s can be seen as a continuation of the development 'from government to governance'.

The market – the price mechanism – as a more efficient means to allocate services in higher education was promoted, intellectually backed by public choice reasoning. In this context the system was supposed to become more performance-driven, borrowing methods from the private sector. New public management approaches stimulated further means to strengthen institutional leadership and managerial technologies in the higher education sector.

In 2005, the government proposed in new Bill for higher education and research. These latest plans, highly uncertain after the elections of November 2006, made clearly known the government's intention to largely continue along 'HOAK-lines', with the intention to push deregulation further. In section 5 we consider these latest plans of the national government.

2. The policy problem / main objectives

As a consequence of the changes in the relationship between the national government and the higher education institutions, described in the previous section, waves of reforms have taken place since 1985 in Dutch higher education. Major reforms concern significant adaptations of the Higher Education and Research Act (WHW 1993). Major changes to the WHW are among other things related to the introduction of the BaMa structure, quality assurance, funding, real estate ownership, human resources management and the internal governance structure of universities.

More details of these reforms can be found in the Quick Scan '*Governance reforms in the Netherlands*' as well as in De Boer, Leisyte and Enders (2006). In this section we address the context within which the changes in governance have been taking place.

The overall reason to come up with new governance arrangements concerns perceived 'government failures' in a drastically changed policy context. In greater detail at least five reasons for rethinking governance of the Dutch higher education system are worth mentioning (Pierre and Peters 2000; De Boer 2006). The first refers to the economic recessions and the accompanying problems with the affordability of the public sectors, including higher education ('the fiscal crises of the state'). Many higher education reforms are – directly or indirectly – due to the perceived need to economise; they are 'finance driven' (de Vijlder 1996).

Second, developments such as globalisation, internationalisation and Europeanisation have also raised questions about traditional modes of governance. Literally, 'games without frontiers' require new rules and pose new governance questions for the Dutch government and its higher education institutions. The Bologna-declaration and the Lisbon-strategy are clear examples of the impact of supranational organisations on agenda and rule setting in (Dutch) higher education. These phenomena of internationalisation and Europeanisation were for example one of the reasons to propose a new Bill for higher education in 2005. Moreover, new powerful actors have entered the scene (the European Union, the Worldbank, the World Trade Association and the Organisation for Economic Co-operation and Development).

Third, we have to mention the disappointing achievements of the national government. There has been a growing disillusionment with and distrust of etatism. In several cases the national government has not been able to live up to (very high) expectations. The Dutch government still has ambitious goals, but the unshakable belief that it is able to prescribe in detail how to achieve such goals has been restrained. Different ways of organizing the higher education system are asked for to increase the effectiveness of governing.

Fourth, there has been an ideological shift towards the market. Universities are encouraged to 'sell' their services on various markets. More emphasis on third party funding, (plans for) the differentiation of tuition fees and (plans for) student vouchers for education² are all examples of such an incline towards the market. In such a 'demand driven' context roles are changing:

² The Dutch 'vouchers' are referred to as '*leerrechten*' ('student learning entitlements'). According to the latest plan of the Dutch Ministry of Education, Culture and Science, that has *not* yet passed Parliament, students acquire the right to enroll for a limited number of years in publicly supported education programmes and after using up their entitlements will have to pay a higher fee.

the government as a market engineer, the institutions as entrepreneurs and the students as customers require a rethinking of various governance arrangements.

Finally, the rise of new public management as a new organisational approach for the public sector has stimulated the rethinking of governance. According to this approach universities should be managed in a more business-like way, in which university managers should have the right and opportunity to manage (cf. Pollitt 1993). The impact of NPM on Dutch higher education is clearly visible in the current internal governing structure of Dutch universities that was introduced in 1997. After twenty-five years of the 'university as a representative democracy' substantial structural changes for internal university governance were implemented (de Boer 2003; de Boer and Stensaker 2007). In the next section this 1997 university governance – reform the MUB – will be addressed.

3. The content of the governance reform and its implementation

The university as a representative democracy has been under attack since its implementation in the early 1970s (de Boer 2003). Even after some changes in the 1980s universities were frequently and seriously criticised – from within and from the outside – for their opaque and non-vigorous decision-making. University decision-making was time consuming and too cumbersome, it was too inward looking, strategic decisions were regularly avoided and innovations were hard to be decided upon and difficult to implement. The government was frustrated by not having a clear addressee to do business with and, additionally, there was the belief that higher education markets needed corporate actors – instead of loosely coupled systems with fragmented power structures – that are able to compete for scarce resources (de Boer, Enders and Leisyte 2007).

Such 'shortcomings'³ together with intended cutbacks by the government and perceived problems with study duration and the quality of curricula led to the forming of an ad-hoc steering group '*Studyability and Quality*' in 1995. This steering group – made up of the Minister for ECS and representatives from the universities and *hogescholen* (through the Association of Dutch Universities and the HBO-council), and the students (through the Dutch national student organizations LSVb and ISO) – mentioned six interrelated shortcomings regarding the governance system:

- The conservatism at the lower levels of the university ('*vakgroepen*') where the main decisions were taken as regards teaching and research.
- The lack of clear responsibilities. Many responsibilities and authorities were assigned to collective bodies and in collective decision making shirking is not too difficult.
- The scattering of authorities created non-transparent decision-making structures and consequently it was not (always) clear who was responsible for what.
- The dual structure of co-determination by boards and councils – as an outstanding feature of the University of a Representative Democracy' in which by and large executive boards and representative councils rule together – led to too many impasses and delayed decisions.
- A strong orientation towards research at the expense of teaching, making it among other things hard for students to complete their courses on time.
- The inadequacy and incoherence of communication between the various organisational levels. Internally horizontal relationships between boards and councils were stressed, whilst vertical relationships were by and large neglected (for instance between the executive board and the faculty deans). Together with the other shortcomings this prevented the university to act as a unified organisation.

³ The degree of agreement with these shortcomings differs from one actor to another: 'where one stands depends on where one sits'.

To overcome these perceived shortcomings the government introduced a new governing structure for the universities, usually referred to as the 'Act on the Modernisation of the University Governing Organisation' (Dutch abbreviation MUB). The goals of the MUB were:

1. Concentration of powers: Integration of governance and management authorities, 'preferably in single headed positions'
2. More transparency in authority relationships
3. Increasing the decisiveness and effectiveness of decision-making
4. Enhancing institutional autonomy
5. Improving, or at least maintaining, significant participation of students and staff in decision-making

The major changes in order to reach these goals were the following:

1. Whereas in the previous governing regime the powers were fused between the executive board and the representative councils (at both the central and faculty level), the executives got the upper hand in the new regime. Their position was strengthened vis-à-vis the position of the representative councils through the integration of governance and management authorities.
2. The representative co-decision-making bodies became representative advisory bodies of staff (50%) and students (50%). Many of their powers were stripped (particularly the power to set the budget), although compared to 'ordinary advisory bodies' they retained some limited powers and can be best described as 'heavily equipped advisory bodies'.
3. The 'disciplinary research and teaching units' (*'vakgroepen'*) were legally abolished. These units were regarded as bastions of conservatism and inertia. Most of their powers were allocated to the new appointed deans. In practice, many of the units continued to exist, frequently under new names and in different organisational settings, but always with reduced powers (formal decision taking was no longer allowed; it is up to the dean how to proceed).
4. The introduction of a new governing body, the Supervisory Board, consisting of five lay members at the top of the university. This board oversees and appoints the members of the executive board – three members, including the rector – and is obliged to report to the minister on the university's policies.
5. The 'toppling' of the university, by the introduction of a vertical system of appointing executives: the supervisory board appoints the members of the central executive board, the central executive board appoints the deans, and the deans appoint the programme directors. Thus, university leaders at all levels are appointed instead of being elected. 'Democratic aspects' continue in that students and staff elect their representatives to councils at central and faculty level and the 58 councils must be consulted when new executives are being appointed.

One could argue that the university as a corporate actor has gained significance through the devolution of many responsibilities from the national government to the individual universities (with respect to funding, quality assurance, personnel policies and the like) and by the assignment of concentrated powers to university executives and managers (such as the *college van bestuur* and the faculty deans). This 'empowered organisation' should be able to armour itself against rapidly changing contexts of fierce competition: they should be able to act as 'public entrepreneurs'.

The changes in the university governing structure, introduced in 1997, were implemented in 1997 – 1998. A national ad-hoc committee – the committee Datema, installed to evaluate the reform's implementation – concluded in 1998 that taking into account the significance of the changes, the MUB reform was quickly and in general successfully implemented, albeit not always wholeheartedly (council members in particular frequently raised their eyebrows).

Eight years after the introduction of the MUB, the Center for Higher Education Policy Studies (CHEPS) conducted a national evaluation study (de Boer, Goedegebuure and Huisman 2005)

and made the following observations. Executives, managers, academics, non-academics and students are critical about aspects of the new governance system but do certainly not have negative feelings with respect to the overall governance systems of their universities. The general feelings of the representative sample of more than a thousand respondents regarding the new governance structure can best be captured by presenting their overall assessment on a scale from 1 ('extremely poor') to 10 ('excellent'). The respondents on average gave the system a pass mark ($m=6.38$, $N=1277$). The interpretation of this pass mark may of course differ: some see it as a pass by the narrowest margin whilst others argue a high pass mark can not be expected given such a controversial topic. About 80% of all respondents gave a pass mark and one out of five judged the governance structure of their university to be failing (i.e. a mark below 5.5). There are minor differences between the universities. While there is (always) room for improvement corporate-like governing structures of universities are by no means unacceptable. It seems that good leadership at Dutch universities has been able to "strip NPM of its thorns".

Nevertheless there still are some significant worries.

First, of all groups within the university the academic staff is the most negative in its perceptions. Given their pivotal role in the university's 'production' this may raise problems in the long run. This concern is underlined by the Scientific Council for Government Policy in a more general way (WRR 2004). Second, 'full blown' participation and to a lesser extent transparency of decision-making are still problematic. Representative councils feel 'uncomfortable' in a 'managerial' setting and academics and students are reluctant to engage in university decision-making. And while those actively participating in university decision-making (executives, managers, council members and the like) perceive the new structures to be transparent to a large extent, 'ordinary' staff and students frequently don't know who is involved in or how important decisions with respect to teaching and research are made. Third, the roles and functioning of the Supervisory Board – a key body in the new (vertical) system of checks and balances – are unclear to the others in the university. This does of course not add to the transparency and openness of the university governance system.

The good news relates to the other goals of the university governance reform. The concentration of powers is generally seen as an improvement as it contributes to the decisiveness of decision-making. The executives, managers as well as the representatives of the councils hold the opinion that their university has sufficient leeway to respond to external changes. In the current governing constellation it is in their view possible for universities to behave successfully as independent public entrepreneurs (albeit that more discretion is desirable). The decisiveness and effectiveness of university decision-making has increased; i.e. the university has the capacity to respond to and to resolve "wicked problems" in relatively short periods of time (see next section). According to the majority of the executives, managers and the representatives of the councils, Dutch universities have been rather successful in making strategic decisions and in implementing major reforms such as the BaMa structure.

4. Impact

Dutch universities have undoubtedly changed over the last decade due to changes in and around higher education. They have become more entrepreneurial. Although not acting as 'real private corporations' they have transformed themselves into the position of 'more tightly coupled systems' (de Boer, Enders and Leisyte 2007). As a consequence of the governance reforms the current Dutch university can be described as a 'managed professional public organisation' (Hinings, Greenwood and Cooper, 1999). They have gained capacities for action on the corporate level; their potential to make strategic decisions and to act quickly has undeniably grown. In the remainder of this section a few examples will be given of how Dutch universities have used their increased autonomy to strategically position themselves. The assumption is that the activities mentioned below have been made possible (partly) as a consequence of the strengthened executive leadership structure of the institutions.

The number of inter-organisational co-operation agreements and partnerships at the international and national level has grown. At the international level Dutch universities have become members of the Coimbra Group, the European Consortium of Innovative Universities, the League of European Research Universities and the Worldwide Universities Network. At the national level we have seen the emergence of alliances between universities and *hogescholen*. The collaboration between the Free University of Amsterdam and the Windesheim hogeschool is a good example. Another example of strategic positioning – particularly with respect to global competitive forces in research – is the far-reaching co-operation of the three technical universities in the Netherlands. The technical universities of Delft, Eindhoven and Twente have established the 3TU-concept, a federation of the three institutions that may develop into the ‘Technical University of the Netherlands’ in the future. As a first step they have jointly established five centers of excellence. Put succinctly, strong executive leadership is having an impact on the higher education institutional landscape. Dutch universities have also turned their potential into action with respect to third party funding. There has been a significant increase in the total third party revenues over the last fifteen years. This concerns money earned in competition with other universities as well as with other competitors (e.g. from the business world). In 2005 on average approximately 25% of Dutch universities’ budgets stem from contract activities. At some universities this percentage is more than 30%. These figures indicate that Dutch universities are able to operate successfully on higher education and research markets.

Another indication of the Dutch universities capacities to act effectively relates to the innovation of educational services. Besides the rapid introduction of the BaMa structure we see that Dutch universities are increasingly trying to profile themselves through establishing new ways to attract excellent students. Here we can point to the increase in the number of honours programmes that are offered by several universities. Some universities are also offering Research and Top masters programmes. Another initiative, also meant to select excellent students, is the establishment of University Colleges, for instance, at the University of Utrecht and the University of Maastricht.

Additionally universities have responded extensively to government initiatives to improve the quality of their education. One of the requirements for submitting in proposals for educational innovation was the development of an institution-wide Quality Management Plan in a very short period of time. The higher education institutions have been able to meet this requirement and submitted just over 3,000 project proposals for educational innovations in the second half of the 1990s. According to an evaluation by the Inspectorate in 2003 these innovation projects have contributed to improving the quality of education in higher education (Onderwijsinspectie 2003)

A final example refers to the programming of university research. External forces such as the research policies of the Dutch government on ‘excellence’ and ‘focus and critical mass’ have ‘encouraged’ universities to set strategic priorities and to be selective. Reorganisations of research groups (e.g. in the form centers of excellence or research institutes) has been one of the consequences. In combination with the changes in the systems of quality assurance, executive boards are better informed on the performances of their research units. By using their powers and on the basis of better information executives have an increased impact on setting the research priorities of their institutions. Research planning capacity within the universities has increased. This is not to say that the institution’s research agenda is set top down. It is still a bottom up, or sometimes interactive process. However, the impact of institutional management – for example via the dean or research directors – on university research is stronger than it used to be as institutional management uses information on performance to reward well performing research units (new facilities, extra staff) and to ‘punish’ under-achievers (restructuring, freezing vacant posts).

5. The current state of the policy debate on governance

The key question of how to safeguard the public's interest best while steering from a distance is still keeping the feelings running high in Dutch higher education. Following the white paper '*Wetgevingsnotitie*', published in 2005, and the Explanatory Statement of the 2006 Bill for Higher Education and Research (*WHOO*) the Minister continues to see universities as 'public entrepreneurs', meaning that they should be highly autonomous organisations that are swift on their feet in responding to societal needs, obviously including the needs of the economy and the labour market. There should be no restrictions on the creation and exploitation of an entrepreneurial culture within the university. To ensure this the Minister argues that the number of regulations should be kept to a minimum; a limited number of general principles instead of detailed regulations (this is one of the government priorities in all Dutch public sectors).⁴ Trust instead of distrust should be the point of departure. Moreover, stakeholders should play a more dominant role, through what is called the university's 'horizontal accountability'.

One of these general principles in the new government plans are the *zorgplichten*: these indicate the university's responsibility for a certain issue, where the goals are defined but not the means of achieving them.

The new government plans indicate three areas of *zorgplicht* for universities: the quality of teaching and research, the organisation of adequate staff and student participation, and good governance. This means with respect to governance that the institution will become responsible for developing good governing structures and practices. Moreover, it will be mandatory that institutions account for their activities to the Ministry (vertical accountability) and to society (horizontal accountability). Apart from these general obligations, there will be hardly any state regulations dealing with the organisational structure of a university. The institutions will have to develop their own internal structures and rules, without any obligation to have faculties, deans or departments. Basically only two governing bodies will be prescribed by law: the executive board (including the rector) and the supervisory board: the executive board will run the university and the supervisory board will oversee the board's activities, including compliance with the *zorgplichten*. To give the university's supervisory body a helpful tool the government suggests that codes of conduct for good governance would be desirable.

There are many questions and concerns as regards the new principle of *zorgplichten*. Here only one of them is mentioned. In a democratic political system the use of the *zorgplicht* principle raises questions with respect to the principles of constitutional law concerning the Ministerial responsibility. The state is the predominant carrier of the collective interest, but may cause a 'democratic deficit' by devolving a significant amount of powers and responsibilities to the institutions: 'institutions that are granted more autonomy and capabilities lack the representative channels to ensure electoral input and accountability' (Pierre and Peters 2000, 116).

Another interesting development stems from the Ministry of Economic Affairs. Arguing that the *WHOO* is still too protective, it promotes a completely open system of higher education. This would imply among other things that legal protection of public institutions would be abolished (to facilitate entry and exit for higher education providers), that institutions would be allowed to make profits (and go bankrupt), and that conditions of service, tuition fees and student selection would be determined by the institutions. With respect to tuition fees and student selection the Dutch government started policy experiments in 2004. The results of these policy experiment are not known yet.

⁴ In the Explanatory Statement of the Bill the Minister argues that the administrative burden will be significantly reduced. This conclusion is denied by the Association of Dutch Universities (VSNU) and the HBO-council, based on a 2006 report of the Berenschot consultancy agency [van Twist, M. J. W. and J. J. Gelevert (2006). *Contra-expertise, Regeldruk en administratieve lastendruk WHOO*, Utrecht: Berenschot].

It seems that the Dutch government is seriously intending to rely more on the self regulating capacities of the higher education sector than on more traditional forms of public control. However, because of the outcomes of the national elections for Parliament (November 2006) the status of the government plans is uncertain. Since the advocates of the plans – the right wing coalition – lost the election, some controversial ideas of the WHOO and the even more controversial ideas about an ‘open higher education system’ are likely to be postponed, changed or possibly even abandoned.

6. Conclusion

What can other European countries learn from the reforms in Dutch higher education and of the reform of internal governance structures of Dutch universities in particular?

1. Enhancing institutional autonomy is a multi-faceted process that takes many years. Universities became legal entities in 1960 and since 1985 we have witnessed a range of reforms related to the issue of institutional autonomy (on quality, on funding, on personnel matters, on property ownership, on institutional governance and more recently policy experiments with tuition fee differentiation and student selection) but still, even after 20 years, the increase of institutional autonomy remains one of the most important policy objectives in Dutch higher education.
2. New public management principles do not necessarily cause conflicts in academic organisations. The existing governance structure of Dutch universities – introduced in 1997 – clearly reflects such principles, strong leadership being one of them. Although there are criticisms and improvements are possible, the managed professional public organisation functions well in many respects. Good leadership can “strip NPM of its thorns” without ignoring its potential benefits. It is worthwhile to acknowledge that current university managerial structures to some extent blend well with informal cultures of consultation and consensus making. For example, appointing executives instead of electing them does not mean in practice that the academic community is not consulted.
3. Stronger executive leadership with clear lines of responsibility can enhance the strategic responsiveness and profiling of the institution. Dutch institutional management has used its potential to develop universities into more tightly coupled organizations (instead of the traditionally loosely coupled ones). In the Netherlands many initiatives have been taken (alliances, projects to improve the quality of teaching) that probably would not have occurred without strong leadership. Stronger leadership also created opportunities to set strategic research priorities, and to develop has research profile of the university.

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Higher Education Governance Case Study: Catalonia¹

Executive Summary²

The (post-Franco) Spanish Constitution of 1978 established freedom of teaching and the autonomy of universities as fundamental rights. The 1983 University Reform Act (LRU) granted universities autonomous status and transferred major system level governance responsibilities from central to regional government. The major features of the LRU were:

- universities became autonomous entities with the capacity to establish their own programmes and curricula;
- professors were no longer part of a national body and began to 'belong' to each university;
- responsibility for universities was transferred to regional governments;
- institutions began to receive public appropriations as a lump sum, and to have wide-ranging capabilities in allocating funds internally. (Mora and Vidal, 2005)

In 2001 a new University Act (LOU) granted further responsibility to autonomous regions, established a national Quality Assurance agency, introduced a national system of habilitation for professors, and increased the representation of academic staff in internal governance structures in relation to student representatives.

This case study does not concentrate on legislative governance reform in terms of either the 1983 or 2001 University Acts but rather on changes that have been introduced in system governance and steering within this legislative framework in an attempt to enable the Catalan university system to develop into a competitive, expanded and high quality higher education system with strong links to regional development and to Europe. Seven major elements relating to system governance are considered:

1. University funding
2. The introduction of programme-contracts
3. Policies for quality evaluation
4. Human resource policies
5. Research and technological development
6. Curriculum reform and Bologna
7. External representation in university governance

The case study concludes that Catalonia's higher education system is performing very well in Spanish terms, and in many areas is functioning at a level that is competitive in European terms. The latter has been achieved in the context of very rapid growth in the system (in 1983 Catalonia had 3 universities and 100,000 students) and the need to "catch up" with European higher education after the end of the dictatorship. It explores the factors that explain this success and the role of university governance in this regard.

¹ This case study was written by Jon File with support from Josep M. Vilalta (Deputy General Director for Research, Ministry of Universities, Research and the Information Society, Government of Catalonia). The views expressed are not necessarily those of the Ministry.

² Unless otherwise indicated, data on the Catalan higher education is drawn from the Ministry of Universities, Research and the Information Society. The quotations from Spanish and Catalan Laws are not official translations.

1. Introduction

The Spanish context: the University reforms of 1983 and 2001

Spanish universities have undergone significant changes in the past thirty years. Such changes have been closely related to the political, social and economic transformation undergone by Spain since the establishment of parliamentary democracy, Spain's integration into the European Union and the development of a welfare state.

The Spanish state is divided into autonomous regions similar to the federal states that make up a federation. These *Autonomous Communities* have the authority to make political and administrative decisions in certain areas, such as education, health, environment, culture, social services and regional organisation. There are 17 autonomous regions in Spain, with historical roots and national identities of their own such as Catalonia, the Basque Country, Galicia, Castile, Murcia, Extremadura, and Madrid. Each autonomous region has its own constitution providing basic institutional regulation through which political competences and structures are specified. These constitutions also regulate the relationship between the autonomous regions and the central state within the framework of the Spanish Constitution. Within the framework of the assigned political competences, an autonomous region's political action is the responsibility of its own government, this being regulated by a parliament elected by the region's citizens.

The (post-Franco) Spanish Constitution of 1978 established freedom of teaching and the autonomy of universities as fundamental rights. The 1983 University Reform Act (LRU) granted universities autonomous status and transferred major system level governance responsibilities from central to regional government. The major features of the LRU were:

- universities became autonomous entities with the capacity to establish their own programmes and curricula;
- professors were no longer part of a national body and began to 'belong' to each university;
- responsibility for universities was transferred to regional governments;
- institutions began to receive public appropriations as a lump sum, and to have wide-ranging capabilities in allocating funds internally. (Mora and Vidal, 2005)

These reforms took place within a historical context and need to be understood against the background of some very specific features of higher education in Spain, including the following:

- Higher education in Spain consists primarily of university institutions: 'higher education' is basically an equivalent term to 'university education'.
- The "Napoleonic model" of state-based control: (most) academic staff have civil servant status, and study programmes (including the core curriculum) are approved by central authorities for the whole country.
- The system is dominated by public universities that are financed by autonomous regions with only a small sector of private higher education institutions. Public universities receive around 85 per cent of their budgets from (regional) government subsidies.
- Policies on student grants and scholarship systems are the responsibility of central government and these systems are under-developed in relation to most European countries.

In terms of the rapid changes over the past three decades the major developments have been the following:

- Rapid increases in access to higher education (mass higher education) with over 40 per cent of the age cohort now entering university.
- A major expansion in the number of institutions with now over 60 universities enrolling more than 1.5 million students.
- The expansion and diversification of the regulated degree programmes offered and major changes to programme curricula.
- A significant increase in university scientific production in recent years.
- The amount allocated for higher education as a proportion of GDP is within the European average.

Within the university sector, autonomous regions have broad responsibilities for higher education including the creation of public universities and the recognition of private ones; planning and co-ordinating the supply of university study programmes; financing the system of public higher education; and science and technology policies. However, the issuing and standardising of professional and academic degrees; the determination of basic university staff legal regulations (as civil servants); the specification of the internal governance arrangements for public universities; and the general coordination and promotion of scientific and technical research are the responsibility of central government. University autonomy in Spain needs to be understood within this framework.

In 2001 a new University Act (LOU) granted further responsibility to autonomous regions, established a national Quality Assurance agency, introduced a national system of habilitation for professors, and increased the representation of academic staff in internal governance structures in relation to student representatives. In particular the new law made specific changes to the legal structure of higher education including:

- the incorporation of some lay persons (always a minority group) into the running of the university;
- election of the rector by direct vote (as opposed to being appointed indirectly by the senate);
- an increase in academic staff representation in the collegial bodies (reducing the former high representation of students);
- the requirement that academic staff obtain national qualifications before being appointed by universities;
- the obligatory post hoc accreditation of study programmes by the new National Agency for Quality Assessment and Accreditation (ANECA) (Mora and Vidal, 2005)

2. The policy problem/objective, and its governance context

This case study focuses on the development of the Catalonian university system and the governance policies and steering instruments that have been developed and implemented to achieve this. The over-arching policy objective over the past 20 years has been to create and co-ordinate a competitive, expanded and high quality higher education system with strong links to regional development and to Europe. This policy objective has been pursued within a national policy framework where (despite their autonomous position) universities and regional governments are still subject to significant central regulation of key aspects of higher education: notably study programme registration, internal governance structures, and human resource policies within a civil service framework.

A major theme of this case study is how the Catalan government was able to use all of the “policy space” available to it within this national framework as well as to create additional space for reform. In terms of governance, the key feature of the Catalonian (and Spanish) system is the 1983 transformation of universities from state institutions to autonomous collegial organisations. Decision-making power was transferred to collegiate bodies in which non-academic staff and students constituted a considerable proportion (roughly, one third).

The three key bodies at the institutional level are the Governing Council, the University Senate and the Social Council.³

The Governing Council is the “organ of government of the university”. It establishes the programmatic and strategic lines of the university, as well as policies and procedures in the areas of the organisation of teaching, research, economic and human resources and the university budget. The Rector, who presides, the General Secretary and the University Manager, and a maximum of 50 members of the university community, constitute the Governing Council. Of these, 30% are designated by the Rector, 40% elected by the senate from among its members and reflecting the composition of the different sectors, and the remaining 30% are elected or designated from among deans of faculty, directors of school and directors of department and university research institutes, according to the university statutes. Three members of the Social Council who are not members of the university community are also members. (Article 15, LOU)

The University Senate is the “senior representative organ” of the university community. The Rector presides over it, the General Secretary and the University Manager are members together with a maximum of 300 members elected by academic staff, administrative staff and students respectively (the three ‘sectors’) according to regional laws and university statutes but with at least 51% of the members being “civil servant doctors” of the university. The Senate is able to call elections for the post of Rector⁴ on the initiative of a third of its members and with the approval of two thirds. The elections of senate representatives to the Governing Council are carried out by and among the members of each one of the eligible sectors. (Article 16, LOU)

The Social Council is the “organ of participation of the society in the university”. Its task is the supervision of the economic activities of the university and of the performance of its services, promoting the contribution of the society to the university’s financing, and the relations between the university and its social, economic, professional, and cultural environment. The Council also approves the budget and the pluriannual programming of the university, as proposed by the Governing Council. The membership (maximum of 30 members) is regulated by the law of the autonomous region but will be drawn primarily from people from social, labour, economic, professional, and cultural life who are not members of the university community. The Rector, the General Secretary, the University Manager,⁵ as well as a professor, a student and a representative of the personnel of administration and services, chosen by the Governing Council from amongst its members will also be members of the Council. The autonomous region will designate the president of the council. (Article 14, LOU)

The Social Council (based on the pattern of boards of trustees in other university systems) was established as an external body to represent the wider interests of society in the university. Nevertheless, in Spain in general, the real influence of this body is quite limited, due to a lack of tradition and to an unclear legal definition of its role. And the Social Council operates within a particular understanding of institutional autonomy:

³ The description of the composition of these bodies is based on the 2001 Act. This did not make any fundamental changes to the post-1983 governance structure but did introduce 3 external members on to the Governing Council and increase the proportion of academic staff on the representative bodies.

⁴ Until 2001 the Senate elected the Rector. The Rector is now elected directly by the University community on a weighted vote system where, for example, the votes of all of the students voting count for 25% of the total vote. A number of those interviewed saw this change as significant in that it reduced the influence of “block voting” where all student members of the Senate or administrative staff representatives, through their internal organisations, would decide to vote for a single candidate.

⁵ The typical pattern is for a new Rector to appoint a team of Vice-Rectors and the General Secretary, while the University Manager is appointed in consultation with the Social Council.

“As a consequence of an action against the LRU by a regional government, a judgment of the Constitutional Court interpreted that autonomy was a prerogative of the ‘university community’ (i.e. staff and students) instead of a privilege of the ‘institution’ itself. This interpretation of the Constitutional Court (incidentally, mostly composed of university professors at that time) has had at least two perverse effects. First, it has prevented external bodies, such as the Social Council, from representing the interests of the community – external influence goes against this peculiar idea of autonomy. Second, it has given excessive power to academics in the full control of institutions.” (Mora and Vidal, 2005, p. 138)

3. The content of the governance reform: policies and steering instruments

This case study will not concentrate on legislative governance reform in terms of either the 1983 or 2001 University Acts but rather on changes that have been introduced in system governance and steering within this legislative framework in an attempt to enable the Catalan university system to develop into a competitive, expanded and high quality higher education system with strong links to regional development and to Europe. Seven major elements relating to system governance have been identified as being of particular importance in this respect.

1. University funding
2. The introduction of programme-contracts
3. Policies for quality evaluation
4. Human resource policies
5. Research and technological development
6. Curriculum reform and Bologna
7. External representation in university governance

3.1. University funding

The financing system of Spanish public universities is based on three main sources:

- Public government subsidies: the autonomous region provides general financing and funding for university investments while the central state provides most grants and scholarships awarded to students.
- Tuition fees paid by students themselves, covering less than 15 per cent of the full cost of university education.
- Funding (public and private) for research activities and other services (knowledge transfer, continuous training, contracts and patents).

Public funding subsidies cover the largest part, constituting 85 per cent of total university income. The main public subsidies are: general subsidies usually based on objective input indicators; subsidies of specific nature, dealing with specific characteristics or strategic projects particular to each institution; and finally, subsidies of a competitive nature, primarily in the area of research funding. Universities also receive public financing for long-term investment plans for infrastructure and equipment.

The financing system of universities in Catalonia

Catalonia's university system is made up of 12 universities, 7 of which are public,⁶ 1 Open University and 4 private institutions. It is mainly a public system with almost 90 per cent of Catalonia's more than 200,000 university students attending public universities.

In 2000, the Catalan parliament urged the Catalan government to adopt a basic financing system, in tune with public, objective and equitable parameters, and to generate complementary financing linked to the specific aims of each university, through a contract-programme negotiated with each institution. In response the government of the *Generalitat de Catalunya* applied a new model from 2002 to distribute university financing, based on the following structure:

- *Fixed funding*, equal for all universities, covering the minimum structural expenses necessary for their operation.
- *Basic funding*, which provides resources for their ordinary academic activity and related operating expenses. Based on common objective parameters.
- *Derived funding*, for expenses deriving from employment of teaching and research staff.
- *Strategic funding* linked to quality objectives in relation to university strategy.
- *Competitive funding*, for certain measures, particularly research, determined by the Ministry of Universities, Research and the Information Society (DURSI) and affecting all universities simultaneously.

The multiyear university investment plan and the financing of university R&D activities, linked to the autonomous government's innovation and research plan, and to other sources of research financing (central government, European Union and private sources) are important additions to this general funding model.

In 2003, the Catalan parliament passed the *Llei d'Universitats de Catalunya (LUC)* (Catalan Universities Law). LUC controls important aspects of the Catalan university system, such as faculty policies, social participation, financing, research and university-enterprise links. The Law states that the *Generalitat de Catalunya* should gradually increase the amount designated to financing public universities over the period 2003-2010 until it reaches a minimum real increase of 30 per cent over the amount budgeted for 2002.

Substantial increases in public resourcing of Catalan universities

The Ministry of Education and Universities, the Ministry of Economy and Finances and the seven public universities of Catalonia signed a new financing plan on October 10th, 2006. This financing plan anticipates that in 2010 universities will almost double their ordinary public financing in comparison to the 2003 plan. This will provide more funds for research, with the aims of integrating university staff in research programs and securing higher levels of external resources.

According to this agreement, between 2007 and 2010, the public financing of the universities will grow from €523 million in 2003 to €1,032 million in 2010 - a growth in real terms of 56% in 8 years, practically double that predicted in the 2003 Catalan Universities Law.

⁶ In 1983 Catalonia had 3 large universities in Barcelona. In the early 1990's three faculties of these universities situated outside Barcelona were transformed into independent universities (known in Catalan as "territorial universities") while a fourth university was established in Barcelona. Interviews were held only with representatives of the four metropolitan institutions so the analysis in this case study applies primarily to these institutions.

3.2. *The introduction of programme-contracts*⁷

One of the most innovative initiatives in Spanish higher education has been the development of pluriannual programme-contracts between the Catalan government and the public universities. This new element of public funding was introduced in 1997 at the initiative of the Technical University of Catalonia and has increased in importance since that time. The programme-contracts have become a strategic instrument for management and quality improvement in universities and the university system in general. They are the result of an institutional pact between the government and each public university. The main characteristics of the programme-contract are:

- It establishes specific objectives for improved quality in the services offered by the university to society, for more effective management and for an improved service to users (with pluriannual time scales enabling definition of mid-term policies and plans spanning more than a single academic year).
- It provides for evaluation of the extent to which the objectives are achieved by means of pre-established indicators, mainly quantitative in nature.
- It determines specific public funding according to the extent to which the objectives are achieved. (In the first phase of the programme-contracts until 2001, this funding was in addition to the university's basic funding but later it was integrated into the university funding distribution model).
- It includes provision for annual revision of the objectives, in accordance with an evaluation of the results of the contract and the evolution of the government's higher education policy and the priorities of the universities themselves.

From a financial perspective, the contracts represented additional funding of €720 million - around 5 % of total higher education expenditures - for the universities over the five-year period, 1997-2001. The instrument continues to function as part of the funding distribution model for all Catalan public universities, which has been in operation since 2002 and the aim is to increase its relative weight in the funding provided to each university.⁸

All the programme-contracts set out objectives and actions in four common strategic areas, while a number of universities also included other strategic areas of their own:

- Teaching, education and the learning process;
- Research and technology-knowledge transfer;
- University-society relations (the *third function* of the university);
- Internal university organisation and management.

⁷ This description of the programme-contract system and the evaluation of its impact in Section 4 are drawn from Vilalta and Brugue (2005). The second round of programme contracts 2002 – 2005 cover similar areas but information on these, and on outcomes achieved is available only in Catalan. Interviewees in the Ministry report similar results in terms of performance.

⁸ The funding from the programme-contracts is included within the strategic subvention to the universities. Within the model, the programme-contracts assign funds to the universities for three purposes: firstly, in order to achieve objectives in the area of *quality*, secondly, for *specific purposes* in each individual university which cannot be included within a general model, and thirdly, in order to *align the funding of each university to the requirements of the transition phase*, in order to guarantee convergence with the model's target funding framework. In the case of the first two purposes mentioned above, the Ministry establishes an annual maximum sum which is determined by variables of scale but also by strategic considerations in the case of each university. The final amount assigned is determined by the overall extent to which the programme-contract objectives have been accomplished as reflected by the indicators. This is expressed as a percentage which is then applied to the maximum funding permitted.

In the area of *teaching/learning*, the objectives included improved adaptation of university education to the needs of society through sensitivity to social demands and the needs of the learning process, placing emphasis on methodological renovation, flexible teaching, improved teacher training and the quality of the teaching provided.

In *research and technology-knowledge transfer* the objectives concerned active collaboration of the universities in achieving high-quality, internationally competitive science, technology and innovation systems which would contribute to the progress of Catalonia. The aim was to facilitate improvement and expansion in both the research itself and the impact of results. It was also meant to foster multidisciplinary approaches, integration in international networks and collaboration with companies, particularly companies which are technologically innovative.

In the area of *university-society relations*, the challenges were: to improve communication with society so as to enable society to communicate its needs to the university, and to highlight the contribution the university can make to society; to improve the attention given to the new students entering the university; to graduate employment, and the promotion of entrepreneurial spirit among graduates; to improving university services to companies and institutions; and the adaptation of continuing education to the needs of society and the changing demands of the labour market.

Finally, with regards to the *improvement of management*, the emphasis was placed on the need for effective and flexible organisations, oriented to constant improvement, with qualified, motivated and well-trained staff, and the need to develop management systems and tools facilitating improved quality, effectiveness and efficiency.

3.3. Policies for quality evaluation

In 1996 the Agency for Quality in the University System in Catalonia was constituted (legally as a consortium) with the objective of promoting the improvement of quality in the Catalan university system. The Governing Council of the Agency was formed by the Rectors and the Presidents of the Social Councils of the Catalan public universities and by the *Generalitat de Catalunya*. Its goal was to promote the continuous quality improvement of the university system through its main instrument: the institutional evaluation of quality. The Agency has developed rapidly and has achieved recognition in both European and international fields - AQU is a founding member of the European Network for Quality Assurance (ENQA).

In the Catalan University Law of 2003, the Agency for Quality in the University System in Catalonia is defined as the main instrument for the promotion and the evaluation of quality and is given a new legal status. These changes were necessary to bring the Agency into line with the new responsibilities deriving from the new Spanish Law (*LOU*, 2001) and to give it the independence and professionalism that characterise the main European quality agencies. The Agency has established a commission for quality evaluation, a commission for the evaluation of candidates for professorial posts (see the discussion on non-civil service contracts in the next section) and a commission for research evaluation.

It is important to emphasise that Catalonia and its university system has been the pioneer in Spain in the development of policies on evaluation and the improvement of academic and institutional quality. Such policies were introduced at a national level only with the *LOU* in late 2001. With this five-year head-start the Agency in its first decade carried out 394 evaluations of institutional quality (study programmes, faculties and schools, departments, university services) including 99 proposals for pilot study programmes to adapt Catalonian qualifications to the European higher education space (see section 3.6). Two pioneering surveys (in European terms) have been undertaken to evaluate the labour market position of Catalan university graduates.

3.4. Human resources policies

Article 48 of the LOU establishes that: “in the terms of the present law and in the framework of its competences, the autonomous regions will establish the position of teaching and research staff under contract to the universities...the total number of the teaching and research staff hired will not exceed 49% of the total of the teaching and research staff of the university.” The government of Catalonia decided, unlike most other autonomous regions, to make full use of the possibility to hire teaching and research staff on contract and outside of civil service conditions. Once again Catalonia was a pioneering region in taking advantage of the new “policy space” that the new Spanish general law opened.

This new legal framework has entailed a significant change to human resources management in the Spanish university. No longer need a university be a place where almost all staff are civil servants. This possibility has been strongly utilised by the Catalan government, Catalan public universities and AQU. In 2004 these parties introduced a special programme (*Pla Serra Hunter*) which guarantees the appointment of 1200 contract professors (at various levels) between 2003 and 2015 at a rate of 100 per year. The Government of Catalonia will co-finance these contracts on a 50% basis with the universities contributing the balance. To date Catalan universities have appointed 3 full and 146 other professors after the first two rounds and it is expected that the maximum of 120 contracts will be awarded in 2006.⁹

3.5. Research and technological development.

Of all of the policy fields concerning the construction of the university system in Catalonia, the R&D policies of the government of Catalonia have been the most ambitious. Since 2000 the autonomous government has devoted priority attention to enhancing R&D, giving special emphasis to university research. The main strategic policy directions have been the following:

- *The creation and development of research centres by the government in co-operation with the universities.* These centres of research are constituted as foundations or consortiums, legally independent of the universities, although physically situated on or close to the campus. To date the Catalan government has established a network of about 25 research centres, some of them at a top European level, in subjects as diverse as chemistry, photonics, genomics, cancer, demography, telecommunications, mathematics, and international economics.
- *Large-scale scientific and technological infrastructure.* In the last years, two major scientific and technological installations have been developed in Catalonia which are expected to be resources for the whole of Spain and for the south of Europe. They are the sincrotron light source *Laboratory of Light of Sincrotó* (under construction and expected to open in 2009) and the Barcelona Supercomputing Centre, which houses the *Mare Nostrum* supercomputer that has one of the largest processing capacities in Europe.
- *Development of the professional careers of researchers.* Different programmes of assistance to universities, research centres and companies, covering all the stages of the research career,¹⁰ have been introduced. The ICREA (Catalan Institute of Research and Advanced Studies) programme deserves special mention. ICREA has enabled the recruitment of more than 125 international level researchers with the aim that they will develop their careers in Catalonia. It has been able to do so with a contract system differentiated from

⁹ In terms of this framework agreement, the Catalan government department responsible for university matters will sign a specific agreement annually with each Catalan university that determines the number of professorial vacancies and the fields that they will be offered in during each academic year.

¹⁰ Four phases have been identified for support: 1) pre-doctoral, 2) post-doctoral, 3) a stabilisation phase and 4) a phase of consolidation.

university civil service conditions and with considerable flexibility (recruitment, salary, conditions of service, etc.). The ICREA programme represents a highly innovative new approach in Spanish higher education and science.

- *Clusters and university-company technology transfer.* One of the most serious problems in Catalonia and Spain is the low levels of transfer of the results of university and public research to companies, and of the general commercialisation and valorisation of R&D. In recent years, the government of Catalonia has arranged a series of initiatives aimed at significantly increasing this field of cooperation.

All these **policies** are being implemented within the framework of the strong political commitment of the *Generalitat de Catalunya* to increase investment in R&D by the end of 2008 to 2.1% of GDP. (In 2004 this investment was 1.34% with the European average around 2%).

3.6. Curriculum reform and Bologna

In September 2006 the national Minister of Education issued a memorandum outlining the key features of a new 2007 Act on higher education. Although the Act is expected to grant more flexibility to autonomous regions and to make minor changes to the internal governance structures of universities, its major function will be to make legislative provision for the introduction of the Bologna three-cycle system in Spain.

According to interviewees this is a good example of policy initiatives being delayed by the cumbersome consultative processes at a national level. In their view this legislation should have been promulgated early in 2005. At a national level, the University Co-ordination Council is a representative body consisting primarily of over 60 university rectors and 17 regional ministers responsible for higher education. Perhaps not surprisingly, Spain's powerful academic community has divergent views on the importance of Spain entering the European higher education area (Catalonia is far more European orientated than most autonomous regions, many of whom regard their universities as essentially regional institutions) and on the programme architecture that should be adopted to do this.

The ministerial memorandum opts for a four year first cycle, closer to the traditional five or six year *licenciatura* than a three year first degree. The Catalanian Ministry and Catalanian university leadership are deeply disappointed by Madrid's policy preference (and probably decision next year) and are concerned about the overall national viability of a two-year implementation plan given the size of the curriculum development challenge. While this disappointment reflects Catalonia's strong preference for the model of a three-year first degree (the dominant choice in North-Western Europe which is seen as the benchmark), more remarkably it stems from the fact that Catalonia has already re-curriculated many of its traditional degree programmes into two-cycle programmes with a three-year first cycle. At the University Pompeu Fabra (Barcelona's youngest university) 70% of graduate students are already enrolled on such programmes.

This is a further example of the *Generalitat de Catalunya* exploiting all of the available "policy space". While the register of approved university programmes in Madrid as yet makes no provision for the new two-cycle structure, Spanish higher education legislation makes provision for "University titles" that are not recognised by the Spanish state as "National titles" (with implications for civil service and professional employment). Using the programme-contracts described above, and its own quality assurance agency (AQU), the Ministry launched a series of "pilot projects" to introduce three-year programmes as "University titles" which the *Generalitat* has recognised given its autonomous powers. As most of Catalonia's students are drawn from Catalonia, and as the expectation was that Spain would adopt a three-year first degree at around the time that the first graduates would come through the pilot programmes, this proved to be a viable strategy. Although in some ways it

seems that Catalonia “backed the wrong horse” in opting for three year programmes, this innovative approach has given it an important head start in preparing to join the European higher education area.

3.7. The role of external stakeholders in university governance

Both the 1983 LRU and the 2001 LOU included the provision for a Social Council. The LOU provides for the Council to have up to 30 members to represent the interests of society in university decision-making. While the powers of this Council are limited (and the overall Spanish experience suggests that its impact has been similarly limited), Catalonia has attempted to make these Councils work as optimally as possible.

Firstly, its own University Act has restricted the size of the Council to 15 members of which 9 are drawn from the external community (one each from the chamber of industry, trade unions, university alumni and the Barcelona municipality/local government, two from the Catalan parliament and three nominated by the *Generalitat*, including the Council President). The internal members follow the prescriptions of the LOU (see above). The intention was to create a body that was not too large to be effective.

Secondly, interviewees drawn from both the Ministry and the Universities both stressed that very careful consideration is given to appointments to the Social Councils and that while the formal powers of the Councils are limited, they, and their Presidents (who meet regularly) are an important element of the overall co-ordination of the Catalonian university system and play a particular role in mediating the relationship between the Ministry and the universities.¹¹

4. Main results and impact.

One of the disadvantages of the uneven development of Spain’s seventeen “regional higher education systems” is that their performance is aggregated at a national level thus making comparisons of individual Spanish regions with EU and OECD countries difficult. Intra-Spanish performance comparisons are also hard to come by. Nevertheless, it is clear from the descriptions of the policy initiatives above, from interviews in Barcelona, and from the general literature that Catalonia’s higher education system is performing very well in Spanish terms, and in many areas is functioning at a level that is competitive in European terms. The latter has been achieved in the context of very rapid growth in the system (in 1983 Catalonia had 3 universities and 100,000 students) and the need to “catch up” with European higher education after the end of the dictatorship. What are the factors that explain this success, and in the context of this case-study, what role did university governance arrangements play, if any?

Firstly, and crucially, is the clear political commitment of the *Generalitat de Catalunya* to the development of higher education in general and to R&D in particular. Coupled to this has been the willingness of the *Generalitat* to invest in these priority areas. The October 2006 agreement on the expected public allocations to Catalonian universities for the rest of the decade and the ongoing investment in R&D, science and technology plus related programmes to recruit top researchers are all evidence of this commitment. Clearly, investing significant amounts of new money into the system has and should continue to result in improvements in performance.

¹¹ The dynamics of scale are important in this respect. Catalonia is in the fortunate position of being large enough to have a “real university system” but not of a scale where co-ordination and informal networks are unworkable (the Spanish national system) and not so small for the regional higher education system to consist of only a single university.

Secondly, the decisive role played by an innovative Ministry, working closely with university leadership (and social councils) and prepared to use the full policy space available to it, is evident in the description of the different policy initiatives above. Good examples include the commitment to the appointment of contract professors, the careful attention paid to Social Council membership and the “Bologna before Bologna” curriculum innovation programme.

Thirdly, the early introduction of quality assurance in 1996 and the introduction of the programme-contracts in 1997 provided the Ministry with basic instruments to begin to work systematically on improving quality and effectiveness. The latter has yielded concrete improvements in institutional performance. Vilalta and Brugue (2005) argue that despite the fact that the objectives of the contracts were ambitious, most of commitments made in the first round of the various programme-contracts were achieved. They, and a number of interviewees, caution however that most of the commitments were designed to be satisfied – universities are likely to enter contracts only when they are pretty confident about their capacity to fulfil them. They identify ten areas of academic improvement, including:

- Improved quality in teaching, the learning process and adapting university studies to the professional needs of graduates.
- Improved student performance, with a significant increase in numbers graduating
- Improved graduate employment rates due to the services provided to students by the university, the evaluation of labour market needs and, especially, due to equipping students with the flexibility required for continuous re-learning and to fostering contacts with the labour market.
- Improved range of doctoral courses and continuing education courses in response to needs for specialisation and updated skills.
- Improvement in the activities, resources and results of research and technology-knowledge transfer.
- Increased “internationalisation” of the universities: more mobility programmes for students and teachers and exchange agreements with international research and teaching institutions and networks.
- Strengthening and development of the use of information and communication technologies in all spheres of university life

Table 1 gives a more concrete example of the improvements made by one university in a number of the areas covered by the first round of programme-contracts.

Table 1: An Example of Institutional Outputs related to a programme contract: Technical University of Catalonia Contract-Programme (1997-2000) (Vilalta and Brugue: 2005, p. 14)

| | 1997 | 2000 |
|--|-----------|------------|
| University graduates | 3.418 | 5.126 |
| University professors with PhD | 45,3% | 49,7% |
| Number of students in continuing education courses | 4.672 | 8.296 |
| Students with experience in business (practicum) | 3.540 | 6.156 |
| Average time for graduates to start working | --- | 2 months |
| Income from R&D activities | 4.288 | 5.430 |
| Research impact | 320 | 535 |
| Percentage of research self-financed | 45,0% | 52,15 |
| Mass media impact of university activities | 1.898 | 3.411 |
| Incomes from company contracts | 1.509 | 2.345 |
| International mobility of professors (in months) | 82 months | 210 months |

Vilalta and Brugue (2005) conclude that despite debates about the adequacy of some of the indicators, and universities being cautious in setting targets, the contract-programmes have led to a new university culture and policy orientation towards academic objectives and to a stronger link between academic outputs and funding mechanisms. Interviewees stressed that although the contracts “only” amounted to around 5% of overall funding, given high fixed costs (notably salaries) this represents a significant source of revenue for innovation and the improvement of quality (broadly defined).

What is striking is that the successful development of the Catalan university system over the past two decades has taken place within what would appear to be two major constraints:

- first, its location within the Spanish university system with its strong vestiges of Napoleonic centralism (notably in terms of academic staff, study programmes and representative internal governance);
- second, as just indicated, the Catalan system is composed of universities with representative academic self-governing internal structures and low levels of external stakeholder participation. Neither of these factors is generally believed to be conducive to the creation of a flexible and responsive organisational culture. Interviewees have stressed that representative collegial bodies do find it difficult to set priorities and take hard decisions – the dominant culture is “coffee for everyone”.

The ability to work around and within the constraints of representative academic self-governance appears to be crucial in the Catalan case. The establishment of on-campus research centres as foundations legally separate from the universities not only gave the centres flexibility in staffing matters, but enabled high priority research fields to be developed without running the gauntlet of the academic senate to reach agreement on the fields to be concentrated on. Interviewees from both the centres and the universities (some with joint appointments) believe that the centres have been remarkably successful not only in terms of research productivity and technology transfer, but in strengthening research and post-graduate studies at the universities. While the programme-contracts are a smaller scale innovation it is apparent that one of their benefits was getting institutions to take strategic planning seriously (even if all continued to drink coffee) and providing additional funding available for central university priorities that did not need to be taxed from public funding allocations jealously guarded by Faculties. In this way the contracts strengthened the hand of institutional leadership.

5. Current governance debates

As indicated earlier in this case study a new Spanish higher education Act is expected in 2007. The primary purpose of this legislation will be to provide the basis for the introduction of the three-cycle degree structure. There are nevertheless a number of governance issues on the table including a further decentralisation of authority to autonomous regions, more flexibility in the rules for regulated programmes (national titles) by setting criteria for groups of programmes with more space for institutional variety in the curriculum, and giving institutions the choice of whether to elect the Rector by direct sector voting or academic senate (sectoral) voting.

What is not on the table, however, is any suggestion of a fundamental reform to the structure of representative academic self-governance. Almost without exception, the interviewees all had their own ideas of how university leadership and management could be improved - be it an expanded role for the Social Council, the appointment of the Rector by an electoral college, to (in Spanish terms) more radical proposals for Boards of Trustees with majority external membership that would *inter-alia* appoint the Rector. Yet not one believed that any

fundamental governance reform would take place within the next five to ten years. Academic self-governance is strongly entrenched, still closely tied up with the transformation from dictatorship to democracy, and no political party is willing to promote this reform agenda.

6. Conclusions

Thirteen of the 32 European countries that are covered by the governance reform project that this case-study forms part of are “post-revolutionary” societies with a living memory of authoritarianism, be it from the right or left of the political spectrum. Many of these countries adopted strong forms of academic self-governance and institutional autonomy in the immediate aftermath of the achievement of democracy. Like in Catalonia, fundamental governance reform may not be on the political agenda. The Catalan case offers a range of innovative approaches and instruments both in the art of using all of the available “policy space” and in working around and within the constraints of representative academic self-governance. While these may be of particular interest to systems sharing some of the characteristics of Catalonia, they have wider potential applicability.

Interviews in Barcelona: November 2006

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Higher Education Governance Case Study: Czech Republic¹

Executive summary

The Czech Republic is one of the many Central, Eastern and South-Eastern European countries in which a fundamental governance reform in higher education took place after the fall of communism some 15 years ago. Full autonomy was returned to Czech universities within six months of the Velvet Revolution (in terms of the Higher Education Act of 1990); a system of academic self-governance was introduced; and the role of the state in steering the higher education system was limited to indirect methods. The resultant level of autonomy for Czech Universities exceeded that in most Western European countries. Over the past 15 years several attempts have been made to find a better balance between an acceptable level of institutional autonomy and the ability of the state to steer and co-ordinate the higher education system in line with broad national goals.

The Higher Education Act of 1998 introduced some modifications to the governance structures and outlined the powers of the Ministry in a more detailed way but the overall philosophy of higher education governance remained unchanged – individual institutions have high levels of autonomy while the state steers the higher education system only in an indirect way, primarily through funding mechanisms. The Ministry is required to consult representative bodies of the academic community on all significant policy changes and strategic decisions whereas the role of external stakeholders (other ministries, employers, regional authorities, etc.) in policy development is very limited compared to that in most European systems.

Although a number of progressive steps have been implemented in Czech higher education governance over the period, and higher education is traditionally perceived to be of high quality by the general public, there are serious doubts about the sustainability of the existing governance system when it comes to the overall efficiency and effectiveness of the system and its ability to meet broader economic and social needs. Major reforms to the governance structures are expected following an OECD tertiary education review in 2006.

1. Introduction

Current Czech HE legislation distinguishes between public, state and private higher education institutions. Besides general rules, specific provisions of the Higher Education Act (111/1998) are applied in each case. In general, the internal organization of public and state institutions and a number of formal governance procedures are prescribed in detail by legislation.

In the Czech Republic, public provision is the prevailing mode of delivery. Non-subsidized private providers constitute only a small part of the system in terms of student enrolments. Although the number of private institutions in the Czech Republic is higher than the number of state and public institutions (40 compared to 27 in 2004/05), these private HEIs accommodated only seven percent of the total student population in the same year.

¹ This case study was written by Jon File with support from Ales Vlk.

Table 1: Czech Higher Education System 2004/2005

| Type of HE institution | Number of institutions | Number of students | % of students |
|-------------------------------|-------------------------------|---------------------------|----------------------|
| Public HE | 26 | 274,962 | 92 % |
| State HE | 2 | 4,114 | 1 % |
| Private HE | 40 | 19,120 | 7 % |
| Total | 68 | 298,196 | 100 % |

Source: CSVŠ, 2005

The roots of Czech higher education can be traced back to the 14th century with the establishment of the Charles University. The country was an important part of what might be termed the medieval European higher education area. Before World War II Czechoslovakia was the world's tenth strongest economy and had education and higher education institutions as good as any in Europe. During the period of almost 50 years of the communist regime academic freedom and institutional autonomy were circumscribed, political appointees took over the management of universities and faculties, research was transferred almost entirely to the Academy of Sciences, and most academics were cut off from international networks.

Since 1990, when radical economical and political changes took place in Central and Eastern Europe, Czech higher education has undergone essential modifications to most of its components. The Czech system, together with other higher education systems in the former communist bloc, was suddenly confronted with a set of major policy challenges that had been faced by Western European countries for almost half a century. Despite the fact that fifteen years have passed since the fall of the Berlin Wall, the effects of the communist regime on various aspects of Czech society, including higher education, are still evident.

During 1990-2005 the higher education system changed tremendously, particularly in terms of quantity. Student enrolments doubled over the decade 1995 – 2005, and the number of higher education institutions grew from 23 in 1990 to nearly 70 today. Similar to other C&E European countries, Czech higher education institutions faced multiple challenges simultaneously: to change their governance and management structures; to modernise their curricula to match the transformation from socialist economies to market economies; to alter their missions from mainly teaching-oriented to incorporate research; and to compete with a new sector of private higher education institutions of varying kinds² (Westerheijden & Sorensen, 1999, p. 13).

In the Czech Republic, full autonomy was returned to public universities within six months of the Velvet Revolution as a part of a broader societal transformation. The assumption made by the new Czechoslovakian policy makers was that higher education institutions were able to transform themselves and that the state should not interfere. As a result, Czech higher education institutions came to possess a very high level of autonomy in relation to most of their Western European counterparts.

In the Czech context, higher education functions as a rather independent and inwardly focused system, although attempts have been made to strengthen the links between higher education institutions and their environment. The need for further co-operation between universities and industry has been repeatedly stressed at the national political level, and several supporting measures have recently been adopted including tax incentives for private sector support of higher education.

² The private higher education sector constitutes a relatively small but significant part of the Czech system and was officially authorised only from 1 January 1999.

2. The policy problem/objective

The policy problems and objectives that confronted Czech policy makers in the early years of the 1990s were related fundamentally to the major changes introduced in higher education policy and governance by the 1990 Act. This federal post-revolutionary Higher Education Act re-established the principles of institutional autonomy and academic freedom.³

“The passing of this Act enshrined a conscious symbolism that spread far beyond the groves of academe. Bringing freedom back to the university was not simply a technical measure applied to academia alone. Its significance went further – both an earnest and a clear demonstration of freedom’s restoration to society at large.” (Neave, 2003, p. 22)

Based on the assumption that higher education institutions had sufficient internal power to deal with their communist past, get rid of political appointees and transform themselves into modern teaching and research universities, the drafters of the Act provided them with considerable autonomy. The necessity to change the framework of higher education as quickly as possible left only little space for a deep debate across the academic community and other stakeholders, or for elaborated analysis or lesson-drawing from other countries. Already at the time of its writing, the Act was perceived as a temporary solution. It was anticipated that new legislation would be in place within two years. Nonetheless, the Act seemed to provide a more than sufficient legislative framework for the period of transformation. The Act itself was relatively short. It consisted of 44 paragraphs and many issues and processes were not prescribed in detail.

The 1990 Higher Education Act introduced basic measures essential for the restoration of democratic principles in higher education. A major step was the introduction of self-governance of higher education institutions. Academic senates were introduced, on both faculty and university levels, constituted by elected representatives of academics, other staff and students. The academic senates were granted extensive powers with respect to internal affairs including budgeting.

The Act also introduced the Higher Education Council to represent higher education institutions vis-à-vis the Ministry. The Council consisted of representatives delegated by university senates. It and the Czech Rectors Conference were given the statutory right to be consulted on the following issues: the establishment and composition of the Accreditation Commission, the budget for higher education institutions and fundamental proposals and measures affecting the higher education system.

The Accreditation Commission was also introduced by the Act. The Commission was established as an advisory body to the Government and was comprised of distinguished individuals from higher education institutions and specialized and scientific bodies. The Act furthermore prescribed the internal management structure of universities and faculties – including the powers of the rectors and deans, as well as the university registrar and the faculty secretary.

With respect to the steering of the higher education system the Ministry of Education was assigned a limited role consisting of the following powers: creating favorable conditions for the development of HE institutions and higher education in general; coordinating the activities of HE institutions; allocating resources to HE institutions and controlling their spending; registering the statutes of HE institutions; establishing special institutions to achieve the goals of higher education after consulting the Higher Education Council; and upon a proposal of the Accreditation Commission, removing the right of a HE institution to carry out state exams, habilitations, etc.

³ From 1968 Czechoslovakia was a federation of two states – the Czech and Slovak Republics.

The clear political policy objective in 1990 was to restore freedom to the universities to enable academics and students to run their institutions without strict central government control. The new legislation re-introduced democratic principles, institutional autonomy and academic freedom. Elected, representative academic senates (at faculty and university levels) represented a major change in the governing structure of Czech higher education. These 'revolutionary' senates elected new deans and rectors, who seemed to guarantee at least minimum moral and professional qualities compared to their predecessors from the previous regime who had been mainly political appointees. With students playing a decisive role the management of all institutions changed completely; almost 90 percent of institutional leaders were replaced (Holenda, 1994).

Nevertheless, the sudden shift from a centralized system to a system of academic self-governance was not a smooth one. A number of problems began to manifest themselves as a result of the lack of experience with democratic governance within individual institutions as well as the rather ambiguous description of the responsibilities of the Ministry. While the need for overall system co-ordination was soon evident, having regained their autonomy, higher education institutions became very sensitive to any form of outside intervention (Šebková & Hendrichová, 1995). What was needed was a policy that would define and implement a new balance between decentralized institutional authority and the role of the state (Čerych, 1997).

In 1995 a serious discussion began on the need for and characteristics of a new Higher Education Act to replace the one rather hastily developed and adopted in 1990. Potentially this could have entailed a second major post-communist higher education governance reform. Although many academics and students claimed that there was no urgent need for reform, a new framework was repeatedly called for which would reflect more adequately not only the changing environment within the Czech Republic but also European and international developments.

There were a number of key policy issues at stake. First, unlike many of its post-communist neighbours – notably Poland – the Czech Republic had not made legislative provision for private higher education. (A few institutions provided education for fee-paying students through joint programmes with foreign institutions, but these could not be accredited under Czech law and these students were not eligible for state benefits.) Second, while the higher education institutions managed their properties these were in fact still owned by the state. The institutions favoured the transfer of the properties to the universities, so that they could maintain them more efficiently.

Apart from these two specific objectives, the Ministry's overall intention was to find a more acceptable balance between institutional autonomy and the ability of the state to steer the higher education system as a whole. In retrospect the powers attributed to the state in 1990 did not seem to be sufficient.

Finally, from the perspective of the higher education institutions themselves, the need was expressed to reform their internal organisation and cohesion. Many of universities consisted traditionally of fairly independent faculties with their own legal identity, so the power of the central university level was very weak. Rectors believed that changes should be made to consolidate the university as a single legal entity to enhance the authority of central university structures.

Once the new draft of the Act was debated (which opened a discussion on changes in higher education more generally including its governance) other issues were put on the table as well such as the role and powers of academic senates, accreditation and the position of the Accreditation Commission, diversification of higher education institutions, study-related fees, etc.

To summarize, the 1998 reform in higher education governance can only be understood in the context of the radical changes of the 1990 Act in introducing basic principles of democracy and restoring institutional autonomy and academic freedom. The 1998 reform was based on more than a half-decade's experience of this governance system yet was also influenced by European and international developments. For many, the crux of the problem was that the 1990 Act had "gone too far" in terms of extensive institutional autonomy and representative academic self-governance.

3. The content of the governance reform

Although some fundamental changes were introduced by the 1998 Act (including the establishment of a private sector in higher education), the steering capacity of the state vis-à-vis higher education institutions was not fundamentally changed – the existing 1990 instruments and processes were only slightly modified.⁴

The preparation of the new draft Act took more time than was originally planned. Many political events—including the split of Czechoslovakia—slowed down the work on the legislation. The new draft was submitted to the government and approved in November 1995. Yet after a heated discussion, the Parliament did not accept the new proposal and returned the draft to the Minister of Education for further corrections. The proposal met major opposition from many sides, but mainly from students and rectors. The draft legislation introduced tuition fees for students and was perceived to limit the autonomy of higher education institutions.

Students, mainly from the Faculty of Arts at the Charles University, opposed the introduction of tuition fees because the draft did not include a complementary loan scheme. A position paper of the Charles University Academic Senate and the Scientific Council argued that the new legislation did not mention academic self-government thus strengthening the position of the Ministry vis-à-vis HE institutions.⁵ There were also concerns about the position of the Accreditation Commission which was seen to be losing some of its independence by being more closely attached to the Ministry. During a very sensitive political atmosphere shortly before new parliamentary elections, neither the opposition nor the governing coalition was prepared to risk passing such a controversial piece of legislation. The draft was not put before the Parliament again.

During the period between 1996 and the end of 1998, intensive discussions took place. Students took the first step and initiated two national gatherings during 1996 and 1997. A few proposals were made, which were ultimately incorporated in the new legislation. Among other things, tuition fees were withdrawn except if students exceed the prescribed duration of their study program. Student representatives also successfully argued for a minimum quota for their participation in faculty and university senates. The final draft of the Act was considerably influenced by higher education institutions and academics themselves, notably the Faculty of Law at the Charles University in Prague which succeeded in drafting an alternative Act (to that prepared by the Ministry) that eventually was passed into legislation. This is an indication of the political influence of the academic community. The Act was submitted to the Parliament in late 1998 and came into force in 1999.

⁴ No significant governance reforms have been made since 1998.

⁵ As a part of its campaign against the draft legislation the Academic Senate of the Charles University wrote personal letters to many members of the Parliament pointing out the severe danger in accepting the new act which would mean jeopardizing academic rights and freedoms in Czech higher education. It argued that if these problems were not solved, it would be better to stay with the existing legislation.

Although many participants in the discussions about new governance arrangements were of the view that the legislation should be short and establish only broad policy and organisational frameworks for higher education, the result was almost the opposite. Compared with the 1990 Act, the new one ended up being much more detailed and longer. The final version consisted of 109 paragraphs.

First of all, the new Act strengthened the position of the central level of higher education institutions vis-à-vis their constituent faculties. Faculties had until then enjoyed a high level of independence which in many cases made university-level policy and decision-making a difficult undertaking. The Act also changed state institutions into public ones and transferred former state property to their ownership. Together with this new public status of universities it also introduced Boards of Trustees, new bodies composed of individuals drawn from outside higher education with specific powers particularly with respect to university property and strategic decisions.

The Accreditation Commission was granted new powers, with all study programs required to be accredited and periodically re-accredited. The new Act also set up new financial rules to allow higher education institutions to diversify their resources including study-related fees (for those exceeding the minimum period of study). According to the Act a higher education institution may also as a part of its educational activities deliver, free of charge or for a fee, life-long learning programs designed either for occupational training or leisure activity. In cases where participants of accredited life-long learning programs wish to become regular students, an institution may recognize the credits they have earned in life-long learning programs up to 60 percent of the credits necessary to complete academic studies. Contrary to expectations, many faculties began to offer the same courses to both groups of participants, paying and non-paying.

Importantly, with respect to governmental steering, the Act introduced a new mechanism. The Ministry was required to publish “A Long-Term Plan of Educational and Scientific, Research, Developmental, Artistic and other Creative Activities in the Area of Higher Education” (Long-term plan of the Ministry). Higher Education institutions were in turn obliged to draft long-term institutional plans in line with the Long-term plan of the Ministry and to negotiate these with the Ministry. Finally, as already mentioned above, the Act introduced private higher education.

In summary, although the 1998 did not make major changes to the overall governance arrangements, and its three major pillars - limited central steering, high levels of institutional autonomy and representative academic self-governance – it did introduce two potentially important innovations. The Act made provision for external stakeholders to be involved in internal governance through a new structure - the Board of Trustees, albeit with a limited mandate – and introduced a system of long-term planning at both the level of the system and public institutions. The Ministry was able to use its funding responsibilities to strengthen the long-term planning by allocating a proportion of public funding to institutional projects consistent with the long-term plans for the system. These “development programmes” started in 2001 and now account for almost 10% of public funding thus giving the Ministry more “leverage” in shaping the system.

4. Implementation

A system of self-governance and high autonomy of higher education institutions along with indirect state steering by distribution of financial resources are regarded as two main characteristics of the contemporary Czech higher education system (Šebková & Beneš, 2002). A strong feeling against interference prevails in academia; any kind of state intervention or regulation is perceived as improper and sometimes seen as a step back to ‘the old times’ given the central planning experience from the communist era. Therefore, higher education

policy development is based on reaching consensus and new policies must be implemented very carefully. All major measures must be discussed with higher education institutions' representatives.⁶

When formulating strategies and policies, the Ministry of Education very often operates with terms such as 'encourage', 'suggest', 'recommend', 'facilitate', 'support', etc. As a result, strategies and policies are very broad and usually leave individual higher education institutions considerable space within which to maneuver. Given this approach and given that universities contributed to a very large extent to the final version of the Act, the implementation of the new legislation and the accompanying processes (new internal regulations, long-term plans, etc.) did not meet with any major opposition from higher education institutions.

5. Impact

It is not easy to assess the impact of the 1998 governance changes. The changes were made mainly to address structural systemic and governance problems rather than aimed at increasing performance or quality in certain areas so the efficiency of the new measures has not been systematically monitored. Where targets and indicators were set up (for example, for the number of school-leavers entering tertiary education) these were included in the strategic documents of the Ministry of Education and were not explicitly related to the governance changes. Nevertheless, this section briefly evaluates the possible impact of the reform on access, graduation, employability, mobility, quality of education, cost-effectiveness, external funding, and research output.

With respect to access, the number of students entering higher education institutions has been gradually increasing. Also the percentage of secondary school graduates entering tertiary education is approaching the target level (50 percent). Nevertheless, this level of success has been influenced by negative demographic trends – fewer students finish secondary school, so their chance to continue in higher education is higher than for the previous age cohort. At the same time, research has shown that the chance for people from disadvantaged backgrounds to enter tertiary education has not improved (Matějů, Řeháková & Simonová, 2004).

The Ministry has changed its financial allocation mechanism so that institutions are not funded solely on the basis of the number of students but also on the number of graduates. In order to achieve an appropriate balance between various levels of graduates, the biggest emphasis is put on bachelor graduates. This seems to have been a relatively successful policy, although the majority of students (more than the 50% anticipated in the Long-term plan) tend to continue studying in master programs as the bachelor degree is not well accepted by employers or by the general public.

The drop-out rate still remains relatively high especially in the first years of technical higher education. It suggests that although the study programmes are now divided into bachelor and master levels, many institutions apart from this formal division have not yet adjusted their study programmes in order to accommodate a larger and more heterogeneous student body with diversified abilities and needs.

The Ministry has repeatedly stressed the importance of graduate employability. In the Czech Republic university graduates receive significantly larger salaries on the labor market compared to graduates with lower levels of education. To a large extent this is a result of the fact that the number of university graduates in the population is still low compared to the

⁶ According to §92 of the HE Act "the Minister and representation of higher education institutions discuss proposals and measures that have a significant impact on higher education institutions".

OECD average - only 12 percent of the population aged 25 to 34 has completed tertiary education (OECD, 2004). Therefore the demand for graduates from the labor market is greater than the supply and graduates enjoy a high level of employment.

Another important issue which has been stressed by the Ministry is the quality of education. On the one hand, quality assurance mechanisms have been put in place in many institutions, and the Accreditation Commission keeps the requirements for the content of study programs and personnel structure of the staff high. Also the high employment rate of HE graduates suggests that the quality of education has been maintained. On the other hand, there are factors indicating rather the opposite.

First of all, academics point out that the quality of students at universities has fallen simply because the quality of secondary education is lower and the number of students entering the universities higher. Second, surveys on both institutional as well as national level have revealed some weak points of university graduates in general. Whereas they have a very good general education, a strong theoretical background and a high level of knowledge in their study field, a fundamental improvement is needed in their language knowledge, practical training and "soft-skills". Third, a high level of imbalance exists with respect to the demand of the labor market for graduates in certain fields such as ICT, electrical engineering and mechanical engineering. Neither individual HE institutions nor the system as a whole have so far been able to react adequately to these changing demands in the labor market. Fourth, in terms of international comparisons Czech universities are not perceived as being leaders or strong performers in any of the existing rankings of world universities.

It is almost impossible to assess the effect of the governance changes on the cost-effectiveness of higher education in both teaching and research. For the past decade the main goal has been to increase the public resources in the system.⁷ Mechanisms monitoring the cost-effectiveness of either individual institutions or the system as a whole are not in place.

Czech higher education remains to a very large extent dependent on public funding – public resources have grown as a share of all resources for tertiary education in recent years, and tuition fees represent only one-tenth of the total resources for higher education. Although the legislation gives the institutions greater space for external funding, there are no specific policies or incentives in place to support such behavior. Governance changes have not had a significant impact on higher education institutions seeking to attract additional resources or external funding, although a few institutions have recently increased their income from private resources.

The changes in governance have not significantly influenced the research output of universities, which is also one of the weaker points of Czech higher education. Research activities are funded separately from teaching, the system is fairly complex (22 state authorities distribute R&D funding) and is not very efficient. Research policy is partly developed by the Ministry of Education but mainly by the Council for Research and Development. Various measures and changes in indicators more in line with international standards have been implemented only recently, and data are not yet available to evaluate the impact of research policy changes.

In general terms, despite impressive growth in student enrolments over the past fifteen years, the Czech Republic still faces considerable higher education challenges in the areas of access, graduation, mobility, quality, cost-effectiveness, external funding and research output. A key question for this case study is to what extent these challenges are related to the current system of higher education governance: high levels of representative academic self-governance and limited steering capacity at the system level. The background report (a form

⁷ Real spending per student increased by 11% between 2000 and 2005 (File et al; 2006)

of self-evaluation) produced for the OECD review suggests that the broad group of experts, representatives and stakeholders that authored and approved the report believes that there is such a relationship, even if it is an indirect and complex relationship:

“Although the highly democratic steering combined with the significant autonomy of HEIs, not often seen internationally, undoubtedly strengthens the independence of higher education from the state, it, on the other hand, results in the cumbersome and often less flexible system steering of public HEIs. The similar characteristic holds true for institutional steering. The pursuit of democratic steering principles in terms of large-scale decision-making powers of the academic senates, retention of significant influence of scientific councils on research, development and student agenda, granting of the overseeing of estate and property maintenance to the board of trustees, while keeping the responsibility for the running of institution in the hands of the rector all make the institutional steering rather cumbersome, though with the significant involvement of the academic community.” (CHES, 2006: 102)

Almost all interviewees identify governance – particularly at the institutional level - as the single most important item on the reform agenda. While Boards of Trustees have generally been experienced as a helpful addition to institutional governance their influence in strategic decisions is very limited.⁸ Similarly, while the increasing proportion of funding allocated in the form of development contracts does strengthen the hand of institutional management, the process of setting institutional priorities in representative bodies remains difficult. The Ministry has tried to encourage integration by requesting multi-faculty and institution-wide project proposals.

6. The current state of policy debate around governance

There are a number of important points with respect to the current state of policy debate around governance. In the last few years a discussion has taken place about changes that are needed in higher education policy. One of the main issues is the structure of university and faculty management, the role of academic senates and the position of students in academic self-governance. There has been an increasing demand for some fundamental changes in these respects.

At the same time, it is planned to allocate a significant amount of additional resources to higher education and research and development during 2007-13 from EU Structural Funds. These are composed of resources from the European Regional Development Fund (ERDF) supporting mainly infrastructure and the European Social Fund (ESF) supporting investments in education and human resources development.⁹ However, there is an increasing concern about the ability of higher education institutions to absorb these resources efficiently. There is a lively discussion about supporting more professional management and stronger leadership, project management, and central strategic planning. At the same time, the Ministry of Education has proposed to allocate some of the “systemic” projects within the *Education for Competitiveness* program to support quality assurance, higher education management, and entrepreneurship at universities.

In recent years, there has also been increasing pressure from industry and business to adjust higher education more to the present and future needs of the Czech economy. The platform that was very important in this respect was the Council on Human Resources Development, an advisory body to the Czech Government. It consisted of representatives of various

⁸ It is clear that different institutions exhibit different informal governance arrangements. Strong leaders can emerge from democratic electoral systems and can craft effective management teams, while Boards of Trustees play a more important role in some institutions than others.

⁹ Resources will be allocated in all Czech regions except Prague which does not qualify.

ministries (Education, Industry and Trade, Social Affairs), educational institutions, industry, major employers, and experts in the field. Although the Council was concerned about the whole field of human resources development, higher education was one of the main topics of its meetings. Together with the Ministry of Industry and Trade the Council also co-organized a seminar on cooperation between educational institutions and industry. As there were both ministry representatives (usually ministers or their deputies) and representatives of business and industry (mainly CEOs or directors responsible for HRD), ministerial policies were often influenced in an indirect way through discussions at the Council.

The Council was dissolved in October 2006 by the new right-wing government as a part of a process of restructuring the public administration, and particularly the Office of the Government. Many former Council members have expressed their disappointment at this decision and considered it very unfortunate given the progress that was being made in furthering cooperation between higher education and major employers.

Higher education policy and its closer orientation towards the needs of the society as a whole were addressed in the Czech Strategy for Economic Growth. This document was published in 2005 and served as a main guideline for the national framework for Structural Funds. All other strategic documents are expected to be developed or up-dated to reflect the main directions and priorities set by this strategy. Higher education policy (at least at a strategic level) has been partly influenced by this strategy.

One of the most important contemporary developments in higher education governance is the thematic review of tertiary education which was undertaken by the OECD and released in November 2006. The OECD expert team argues that major governance reforms are needed, and proposes a number of fundamental changes in the system:

“The review team is firmly of the view that - 16 years after the post-Velvet Revolution Higher Education Act - higher education governance reform is needed...

*There is a need to strengthen the steering and co-ordination capacity at a system level. The Ministry needs to be able to use the full range of steering possibilities offered by the funding system, including direct steering by specifying the number of publicly funded student places it is willing to support at each institution and within each institution in broad subject fields. It must be able to do this without first having to negotiate a consensus with institutional representatives – for this will inevitably favour sticking with, or close to, the *status quo*. The Ministry and the sector should consider the benefits of moving towards multi-year funding contracts linked to agreed performance targets (for enrolments and graduates in different subject groupings and at different qualification levels etc.) that recognise the distinct contribution of each institution to the long-term goals of the system.*

*A broader range of stakeholders need to be included in strategic (not scientific) system and institutional level governance... Including a broader range of stakeholders in strategic decisions will alter the balance in the current model of academic self-governance to make it less inwardly focused. The involvement of public and private sector employers is essential given the *Long-Term Plan's* emphasis on greater financial support for research and innovation, and on Bachelors graduates entering employment. The Ministry and the institutions should explore ways of doing this. One approach would be to expand the role of the Board of Trustees in strategic (not scientific) decisions as a first step in the direction of a single senior university governance body including internal and external stakeholders – this allows for the strategic and scientific dimensions of issues to be brought together in a single forum.*

At the system level similar considerations suggest that the Council of Higher Education Institutions might be reformed, streamlined and broadened to include a chamber of external stakeholders.

The ability of Rectors and Deans to lead their institutions needs to be strengthened. They need greater freedom from the restraints imposed by governing structures representing faculty/departmental interests. Institutions cannot be strong and successful if it is impossible for them to determine strategy, set priorities, identify teaching and research portfolios, and adapt their organisational structure to adjust to a changing environment. The Ministry and institutions should explore ways of reforming internal governance, including methods of appointing Rectors and Deans that continue to involve an important - but not as decisive - role for internal stakeholders." (File et al, 2006: 24)

The successful implementation of these changes (if accepted by the Czech Government) will probably require a new legislative framework on higher education. At the same time, it also requires a stable political environment with a strong commitment to change, which at the time of writing this report is far from being the case in the Czech Republic.

7. Conclusion

In terms of governance the Czech case study represents a very specific case. Its higher education system is one of the oldest in Europe. On the other hand, the Czech Republic has gone through a process of intensive political, economic and social transformation including the higher education sector during last 15 years. Traditional democratic principles such as institutional autonomy and academic freedom have been restored. At the same time, despite the very fast pace of the liberalization of the Czech economy, higher education has not been fundamentally influenced by the market or various market mechanisms. As a result, the Czech Republic has a system with rather powerful independent public institutions, and a relatively weak Ministry operating only with a limited set of policy instruments. Most changes in governance (mainly in 1998) including the internal structure of individual institutions as well as the relationship of universities to the Ministry have been initiated by the higher education institutions themselves.

The first major step towards autonomy and self-governance of universities was made in 1990, understandably, in order to restore desirable conditions. As the state and central control were regarded as something with a very negative connotation and reminiscent of the communist past a very high level of trust was vested in academia and its ability to transform itself. The state and its steering instruments were regarded as an unnecessary intervening factor. Its main role was to distribute financial resources on agreed terms.

Although no major failure on either institutional or national level has appeared, the overall efficiency of higher education policy can be questioned after more than 15 years of the new governance structure in higher education. The state has missed many key instruments needed to steer the system effectively.

The changes which were implemented in 1998 were in fact a compromise between the Ministry of Education and the institutions, mainly favoring the institutions. The Czech Republic has implemented a number of very progressive tools including the accreditation of study programs; a funding framework stressing the number of graduates; the bachelor/master/PhD structure; and quality assurance mechanisms. The Czech Republic has a higher education system perceived to be of comparable quality to higher education systems in developed countries. However, major doubts remain when it comes to the overall effectiveness of higher education policy and the ability of the system to meet its essential goals such as access, quality, production of highly qualified and relevant graduates, etc.

Because for a long time higher education policy has been limited to the relationship of the Ministry to individual institutions, other stakeholders have been largely absent. As a result many institutions remain inwardly orientated.

In general it is very difficult to develop an effective governance model in a country which was based on central planning and where a high level of distrust in the state and state institutions persists. However, it is clear that policy approaches and governance arrangements must still be found to allow the state to coordinate the overall efficiency of the higher education system. The reactions to the OECD proposals on governance reform are likely to be a good indication of whether this new balance will be found in 2007.

Interviews in Prague: November 2006

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