

# PROBLEMS OF UNIVERSITY INSTITUTIONAL GOVERNANCE IN CHANGING ENVIRONMENT

**Dita Stefenhagena**

*University of Latvia, Latvia, dita.stefenhagena@llu.lv*

**crossref** <http://dx.doi.org/10.5755/j01.em.17.4.3034>

## Abstract

The problem identified in all Europe and other countries is the following: 21st century expectations from society have enlarged the university goals, and in order to reach these goals, university needs new governance processes both at institutional and state level. Along with traditional university goals of providing higher education studies and research, there is an increase of university participation in social activities, as well as global competitiveness. Businesses insist that studies are resulted in higher education compliance with labour market, and research results' transfer to investments of national economy. The institutional governance issues are becoming more complicated and the relationship between good governance and university effectiveness becomes central.

Institutional governance changes are expected also in Latvian state universities. New governance processes, management trends and approaches are necessary to ensure implementation of university goals in nowadays rapid changing environment of globalization and competitiveness.

*Keywords:* universities, institutional governance, enlarged goals, effective performance results.

*JEL Classification:* D02.

## Introduction

The new area of increased globalization, international competition, development of knowledge and science based economy is requiring better implementation of higher education goals – their connection and impact in society and national economy. It is requested that universities are no longer closed academic institutions with scientists and academicians who are doing their job within closed environment and limited results. “The university is no longer a quiet place to teach and do scholarly work at a measured pace and contemplate the universe as in centuries past. It is a big, complex, demanding, competitive business...” (Blackman, 2009). General university goals of providing higher education studies and implementing science activities nowadays have to be significantly increased by providing close connection with labour market needs and science results' investment into national economy. At the same time it is emphasized that the vital role and importance of scholarship should never be downplayed or underestimated in public universities (Carnegy, 2010). Alongside with this it is expected that universities are active in social and cultural activities, as well as ensure their science and higher education competitiveness at international level. Increased expectations of impact from the university goals can be ensured only by effective and modern university governance – both external, higher education system governance, and internal, institutional university governance. This aspect became critical in old European public universities more than 20 years ago, but in the Baltic universities, including Latvian universities, the problem of becoming a modern university occurred just in recent years. Students, employers, industries, businesses and state sector representatives expect and require that universities have to be modern and keep in step with rapidly changing external environment, but universities itself historically being closed and conservative institutions do not want to reform their institutional governance styles, approaches and processes.

University governance as a special case of corporate governance has increasingly attracted scholarly attention over the last decades. University governance has been researched in England (Chapleo, 2010; Hagen, 2002), Netherlands (Boer, 2010), Italy (Agasisti, 2006), Australia (Blackman, 2009; Rytmeister, 2007; Rytmeister, 2009), New Zealand (Meyer, 2007), China (Ka-ho Mok, 2005) and other countries.

The objective of the paper: based on literature and empirical results, to research and assess institutional governance processes, trends and management approaches necessary to reach the goals of university in changing environment. Qualitative method of empirical research - expert interview, qualitative-quantitative research method – AHP (Analytical Hierarchy Process) and qualitative inquiry have been used in order to reach the objective.

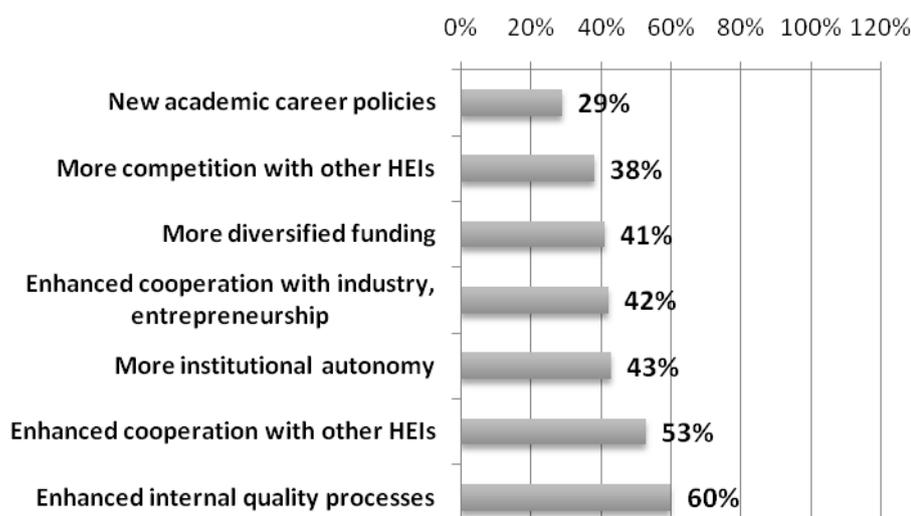
## Challenges of institutional university governance in Europe

The problem of universities as stable and conservative institutions not being very flexible in changing environment of rapid social and economic changes has been indicated by the university management

researchers in Australia: "There is a little evidence that structures which have traditionally maintained the university's role have evolved to actively engage in innovation and knowledge creation in their governance and operation (Blackman & Kennedy, 2009), Finland: "...Finnish universities were used to inflexible higher education structures and reactive university system, slow decision making and permanent funding deficiency in public universities."(Aarrevaara, 2009), the Netherlands, England, Italy and others. Although university reforms in old Europe countries, Australia and New Zealand were carried out in late 1980s and 1990s, but in Finland significant university governance reforms were carried out by the 2010 University Act.

The hypothesis commonly found in specialized literature is that successful university organizations are those able to modify their governance – their institutional command and control structures and management, to adapt to changing demands of their environment and transformation of its structures. There is a wide spread belief that institutional autonomy and efficiency and increasing market orientation of public universities will bring more efficient and successful form of coordination through forces of competition.(Institutional diversity, 2009). Thus, for competitive and efficient public universities serving goals of stakeholders and the society in general, there is a need of strong, efficient and autonomous institutional governance. The European University Association (EUA) in its research reports indicates that as autonomous institutions universities hold primary responsibility for their institutional governance and management of their finances, activities, and personnel. Almost all European universities have an executive body headed by a rector, president or vice-chancellor as the executive head of the university. The collegiate academic body – the senate, academic council or academic board is one of the decision making bodies of public universities. There is a general trend across Europe and other countries toward introduction of a board consisting of not only internal but also external stakeholders as the main decision making body of a public university (Higher education governance, 2008). This trend has been widely and successfully implemented in old European and Scandinavian countries, but not in the Baltic universities. Although discussions and pressure on the part of the state and entrepreneurial sectors on this issue is growing, and introduction of boards with external stakeholders in the Baltic universities is just a matter of time. This is an unambiguous issue – on the one hand, there is an opinion that external stakeholders bring outside perspective, expertise and additional transparency serving as a link between the university and society and national economy, but, on the other hand, many academicians see it as a threat to institutional autonomy.

What are the trends of institutional governance what has lately been of particular attention to university management researchers and higher education organizations? Institutional questionnaires carried out by the EUA show challenges that have had the most importance to university institutional development in the past ten years. (Fig.1.).



**Figure 1.** Over the last ten years, how important have the following changes been to your university (high importance)?

*Source:* Trends: 2010: A decade of change in European higher education, 2010

Assessment of high importance of such internal management processes as quality assurance (60%), enhanced cooperation with other universities, industry and business sector (53%; 42%), more autonomy

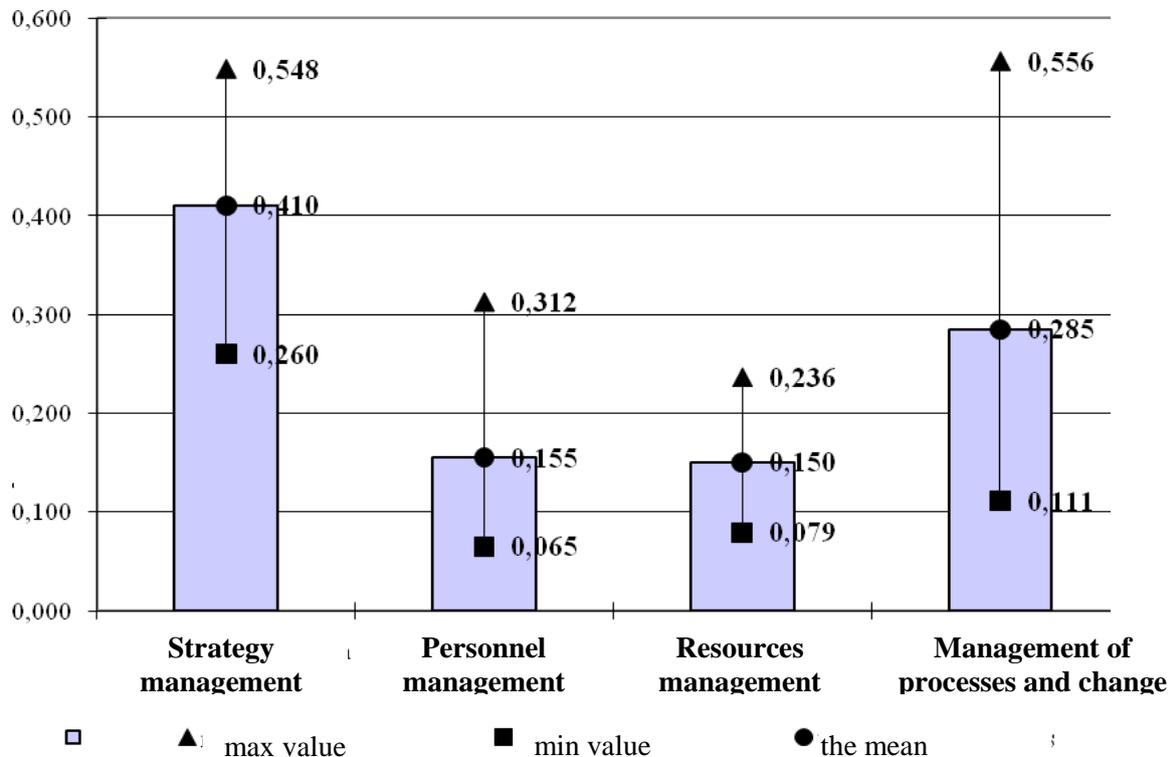
(43%) indicate that European university institutional governance processes are becoming more tended towards effective management reaching expectations of university impact on national economy.

### Results from empirical research on university institutional governance processes

The empirical research of university governance processes (both external and internal) was implemented in the time period 2009-2012. This paper reflects results concerning only university institutional (internal) governance. The following research methods were used in order to assess empirical results:

1. Analytic Hierarchy Process (AHP) carried out in 2010. Experts (6) – representatives from universities (Latvia, Finland) and Ministry of Education and Science in Latvia.
2. Expert interviews carried out in 2010. Experts (16) – university leaders in Latvia and Finland.
3. Qualitative inquiry at one of the universities of Latvia. Time period: December 2011- January 2012. Respondents: academic and general staff (number of respondents – 200, 11% from the total number of staff).

Matrix of university institutional governance assessment criteria was developed and according to Saati T. Analytic Hierarchy Process (Saaty, 1980) the matrix consisted of 4 levels – 1st level – university effectiveness, 2<sup>nd</sup> level – groups (4) of internal management, 3<sup>rd</sup> level – internal management factors (3-4 factors in each group, total – 16 factors) in each of the group and 4th level – university goals (4) in nowadays changing environment of globalization and increased competition. The internal management groups and factors within these groups were developed based on the self-assessment model of a public institution – Common Assessment Framework (CAF) which was created at the European Institute of Public Administration (EIPA). The idea of the CAF is that various enablers (strategy, staff, resources, leadership and partnerships) directed through appropriate management processes, openness to innovation and learning can lead to society oriented results of a public institution (CAF, 2006). This assessment model can be applied to universities as public institutions serving the needs and expectations of society.



**Figure 2.** Assessment of university internal governance processes' groups

*Source:* Author's developed, based on AHP experts' assessment results

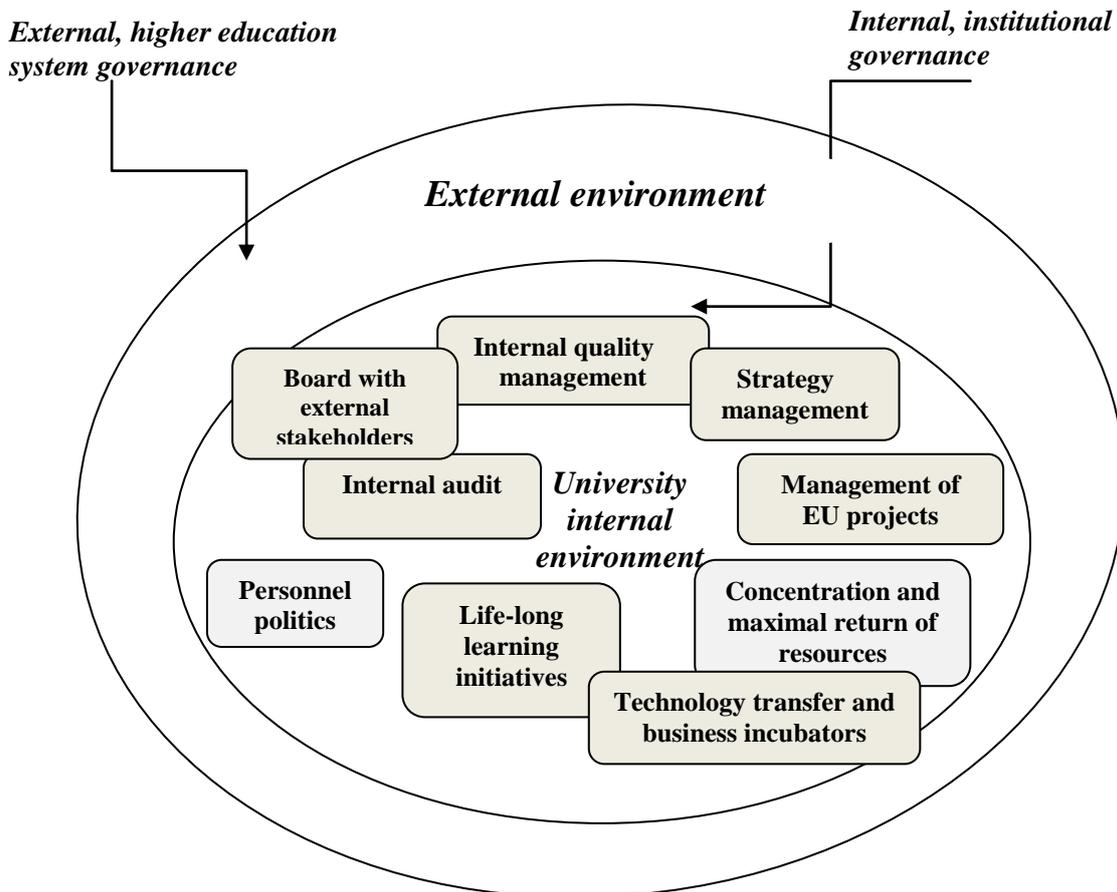
Experts' assessment on the groups of institutional governance: strategy management group (0.410) is taking the 1st place and is considered the most important, the 2<sup>nd</sup> place – management of processes and

change (0.285), and the 3<sup>rd</sup> and the 4<sup>th</sup> place is almost equal – personnel management (0.155) and resources management (0.150).

According to experts' assessment the following (in prioritized order) internal management factors are considered the most important in order to reach university goals:

- strategy planning and implementation
- internal quality management
- qualified and competitive personnel
- leadership and support to new and innovative internal governance processes on the part of university administration
- acquisition of EU funding
- all types of cooperation (local and international)
- resources concentration and maximal return

Expert interviews with six executives from Latvian universities indicated that although universities as autonomous institutions with self-governance rights have decision making power, many norms and regulations on the part of the state sector still impress university institutional governance. Development of new structures are necessary in order to follow rapid changes and increased expectation on the part external stakeholders: life-long learning centres (because the number of students is decreasing and universities need alternative study forms and target groups), centres of technology transfer and business incubators (because research results have to be transfer to society), departments of EU funding management (because diversified funding approach is necessary instead of significantly decreased university budget).



**Figure 3.** Institutional governance processes and directions under the changing external environment

*Source:* Author's developed, based on expert interviews

Relatively new institutional governance processes which have to be applied and improved in order to ensure more effective university governance and achievement of university goals in changing environment are the following:

- Strategy management

- Introduction and improved functioning of internal auditing and quality assurance
- Improved personnel politics
- Concentration and maximal return of resources (human, material, financial, technological and other)
- Introduction of a council with external stakeholders as a university decision making body

Although there was a common experts' opinion that all above mentioned processes (except there was not a common opinion of introduction of a board with external stakeholders within university decision making bodies) are necessary and important, the qualitative inquiry at one of the Latvian universities (implementation period December 2011, January 2012) showed that university personnel (both academic and general staff) is not satisfied with university institutional governance, and particularly with the university administration. The following problems and discrepancies were indicated:

- Formal approach to university strategy planning and implementation
- Lack of human resources policy and management (especially in regard to general staff)
- Lack of leadership skills at the higher and middle management levels
- Lack of communication and information flows among faculties, departments
- Unwillingness to reform old structures and positions
- Lack of transparency of financial planning and implementation
- High bureaucracy level and hierarchic approach

The results of the qualitative inquiry determine that although university have new structures, and some new institutional governance processes (e.g. internal auditing, internal quality assurance, strategy planning, implementation and reporting) are implemented, there is a big threat that some of these new processes do not serve their authentic functions of making university governance more effective. That may lead to an opinion that new governance processes are introduced as formal mechanisms to draw attention to external stakeholders.

### **Conclusions**

(1.) The new area of increased globalization, international competition, development of knowledge and science based economy is requiring better implementation of higher education goals, which in turn requires improved university institutional governance – development of new governance processes and management approaches.

(2.) The problem of slow university institutional governance changes is the following: students, employers, industries, businesses and state sector representatives expect and require that universities have to be modern and keeps in step with rapidly changing external environment, but universities itself historically being closed and conservative institutions do not want to reform their institutional governance styles, approaches and processes.

(3.) University leaders have to pay more attention to new management tendencies regarding university institutional governance, introducing new governance structures and approaches which would help to ensure university governance responsibility, transparency and more effective decision making.

(4.) As a public institution, the state university governance is a subject to public administration governance, but as an institution with specific objectives, the university may need new and specific governance approaches.

(5.) Although experts' assessment on the importance of university institutional governance processes indicate that factors within groups of strategy, processes, change, personnel and resources management are the most important, there is a problem that some of these new processes do not serve their authentic functions of making university governance more effective. That may lead to an opinion that new governance processes are introduced as formal mechanisms.

(6.) Introduction of new institutional governance structures and processes has to be followed by new and modern management approaches (leadership, team work, horizontal cooperation instead of hierarchy, management of processes instead of management of functions, etc.) in order to link effective university management with implementation of university goals.

### **References**

1. Aarrevaara, T., & Dobson, I.R. (2009). Brave New World: Higher Education Reform in Finland. Higher Education Management and Policy, Volume 21/2, 1-18.

2. Blackman, D., & Kennedy, M. (2009). Knowledge management and effective university governance. *Journal of Knowledge Management*. Emerald Group Publishing Ltd., Vol.13.No 6, 547-556.
3. Carnegie, G.D., & Tuck, J. (2010). Understanding the ABC of University Governance. *Australian Journal of Public Administration*, Vol.69, 4<sup>th</sup> issue, 431-441.
4. Common Assessment Framework (CAF). (2006). Internet access: <http://www.eipa.eu/en/topic/show/&tid=191>, accessed on 14.03.2012.
5. Higher education governance in Europe: policies, structures, funding and academic staff. (2008). European University Association: Eurydice, Brussels, p. 113.
6. Institutional diversity in European higher education: tensions and challenges for policy makers and institutional leaders. (2009). Reichert S. (Ed.), European University Association: Eurydice, Brussels, p.162.
7. Saaty, T. (1980). *The Analytic Hierarchy Process*, New York, USA: McGraw-Hill International , p.287