

HUMANE

## Heads of University Management & Administration Network in Europe

### SEMINAR

#### Governance

Technical University of Berlin

13-14 October 2000

Wolfgang Bröker, the *Kanzler*, welcomed participants on behalf of the Technical University of Berlin, and opened the seminar by briefly describing the university's size and budget – there were some 30,000 students, 6,000 staff and a budget of about 250 million euros. As one of three universities in Berlin the TU was in competition with others for a share of the State budget, and there was (therefore) an increasing reliance on contracts and performance measurement. At least budgets were broadly announced three years in advance, and it was possible to carry forward savings into a future year. The TU had now started distributing funds to departments in a similar manner – also including contracts and performance measurement – and had reduced the size of central administration by distributing some staff to Faculties.

#### Higher education and other policies in government thinking

### John Furstenbach, ESMU

The presentation centred on the role of government in directing HE. Governments are making and implementing policies on education, research, finance, regional development and labour market issues, all of which are influencing higher education institutions. Universities have, or more precisely, are given important roles in many of these policies. But policies on (un)employment or regional development which universities may consider to be secondary may conflict with their primary policies on teaching and research; all this under financial restrictions imposed by the Ministry. Policies are made and implemented based on political lines of thought, often taking into account factors that from a university point of view may appear irrelevant, while governments will hold universities accountable for actions which are not directly related to

teaching

or

research.

Governments use direct as well as indirect methods of governance. One example of a direct method would be regulations. Accountability broadly may also be used as a strategic indirect approach in Governance, i.e. by requiring reports and evaluations the behaviour of the institutions can be changed without any explicit decisions

John drew on his own experience as a civil servant to note that – just to make things more interesting for administrators! - ministers in different countries talk to each other to a larger extent than normally perceived in universities. Therefore, expectations on higher education and new methods for governance tend to drift around internationally. Against this background he would try to point out how governments think and work, and how they viewed universities' accountability.

In discussion, questions raised the issues of the various “buffer” bodies which intervened between universities and the State. In Sweden an earlier body had dwindled in importance through the 1980s before disappearing in 1993, partly because universities had developed the habit of approaching the Ministry direct. In other countries the buffer had taken on stronger powers in order to be more than a mere intermediary. It was observed that a buffer body was useful in reducing the various extremes of political swings of government. Whatever the precise system, and whatever the degree of autonomy, it was recognised that the State had a legitimate interest in assessment of performance and accountability.

**'University and State: Autonomy by Continuous Negotiation'?**

## **Michael Gleeson, Trinity College, Dublin**

The inter-relationship between knowledge and power has long been recognised: many historians have attempted to evaluate the history of European universities around this theme. Such evaluations could focus on university struggles to be free of the control of Pope or Prince, Bishop or Baron, Magnate or Merchant - as patronage or support has moved from the local to the national to the international scene. In this first quarter of the twenty-first century the State is the patron with whom negotiation is necessary.

Care must be taken in regard to the different university/State relationships pertaining through the different European countries. Notwithstanding statements regarding university autonomy, it is arguable that governments still seek major influence through the funding process. Private sector funding - in the context of 'public/private partnerships' - is also a factor which we must consider.

'Accountability' and 'Autonomy' must not be confused. Universities have an obligation to be accountable for their use of State (i.e., taxpayers') money, for quality, and for integrity of our systems.

However, if the balance between accountability, autonomy and freedom is not adequately achieved, there is a danger that the ethos which imbues all good universities will change drastically for the worse.

The movement from 'élitism' in higher education to 'massification' has created circumstances which apparently give further legitimacy to the State oversight of universities. Support for individual programmes - relating perhaps to social access, to specific labour needs, to economic advantage - is often provided on the basis of 'conditional contracting' - i.e., funds are provided for a specific contract.

In this context, is 'autonomy' a myth, and must freedom in universities be, in the future, by way of continuous negotiation with State governments?

Michael Gleeson placed his analysis in the context of three main models which had determined the evolution of universities over previous centuries, namely, those associated with Newman, Humboldt and Napoleon. All had evolved in different ways, but the end result was still that (according to a recent CRE analysis) 69% of university income came from public authorities. This had justified government intervention in the public sector, although the application of some legislation (eg, planning issues or health and safety) disregarded the rather special position of universities. Like other speakers Michael acknowledged the need for accountability, but saw a contradiction whereby autonomy was the public position whereas the reality involved more and more governmental control.

In response to questions he noted that – in Ireland, at least – the shift towards seeing universities as public institutions (rather than private institutions using public funds) had come about very suddenly

in the mid-1990s. The new vision had been prompted by several factors which accompanied major political change:

- The large amount of money collected in tuition fees
- An extension of the HE system, with the inclusion of new HEIs revealing the inadequacies of the old funding mechanisms
- Government awareness (in the new, larger system) that one part of the sector had been subject to less control than the other

Other participants observed that over the previous three or four decades most change in university management and structures had been imposed or impelled by external factors or bodies. Universities thus needed to act, rather than to re-act – and exactly the same point was made in relation to press coverage of all university activities or events. In this context Wolfgang Bröker illustrated the very well-developed network of press contacts used by TU – and it was perhaps symbolic that this was the only HUMANE seminar where a university PR department took group photos for later use by the press!

Jean-Pascal Bonhotal:

The keyword of this presentation was autonomy (indeed, this turned out to be the major theme of the whole seminar). His illustration of the French HE system showed the trend towards more and more autonomy – although there was much interesting debate among colleagues as to what this word might mean, exactly, in various systems. For example, French Faculties were not allowed to create posts; however, French participants argued that the President was even more powerful than the British Vice-Chancellor. This in turn raised the issue of the relationship between the President and the *Recteur* (the head of each of the 25 regional educational groupings known as *Académies*), with a number of questions about the logical and/or practical resolution of differences of opinion. The relationship was portrayed as not being a hierarchical one, and – despite doubts from several participants – the French members were entirely satisfied that the system worked well. Jean-Pascal certainly accepted that there was very little financial autonomy in France, since the State controlled not only the finances (85% of funding) but also staffing issues – staff were civil servants, paid directly by the State.

## **Tendencies of a new university accounting system in Germany**

*Hanns H. Seidler,*

Historically German universities have been characterised by their dual nature. In research and teaching they enjoy a great independence from State influence, but their economic activities are another matter altogether. Here the State plays a pronounced role, which can be traced back to how universities are basically funded, with a greater degree of public funding than in foreign universities. Until recently, universities have not enjoyed much autonomy in this area..

In the early nineties a discussion began about how dependency on the State framework could be reduced. This could well be the first time that the chance has existed of combining the traditional unrestricted intellectual autonomy with an economic autonomy which weakens the ability of government and especially parliament to intervene and to exert influence. Operating decisions are delegated to the university level. This led to a discussion about the need for government and parliament to obtain a clearer overview of expenditure, and to a demand for a new accounting system which would provide greater cost transparency not only for the university itself, but also for the State.

Traditionally universities have used the cameralistic system of accounting which typifies the public service sector in Germany. This system aims to assure the observance of budget estimates as laid down by parliament and thus to balance income and expenditure. Accuracy and verification of transactions thus become more important than economy. There are no evaluation criteria and also no meaningful indices for planning, control and management of the institution; meanwhile strategic considerations are insufficiently considered. While there is broad consensus on the weaknesses of the cameralistic system there is no consensus on the remedies. As a result there are currently a great number of reform efforts in existence, which has led to university accounting systems diverging in individual *Länder*, indeed among individual universities. Three basic tendencies can be seen:

1. Retention of the previous cameralistic system with the addition of flexible budgets;
2. Retention of the system with cost to performance accounting procedures
3. Adoption of the commercial accounting methods via integrated standard software.

A fundamental goal and principle in the preparation of university accounts is cost transparency, as well as the ability to make comparisons with other universities, for example, by comparing the costs arising from a specific course of study. Such transparency and comparability help to reveal cost saving potential, to counter misdirected resources and to recognise gaps in financing in good time. This also involves steering away from the previous concept of money consumption and heading towards a concept of resource consumption, which represents a considerable change both in the

actual organisational structure and the mentality. A stronger link must be established between the ability to enact and responsibility, which means greater financial autonomy must exist at the decentralised level. And if the quantitative evaluation of the product is difficult enough, the qualitative is even more so.

The presentation will describe the (five) fundamental elements of a new university accounting system, and look at the ways in which the resource consumption concept is rather alien to the cameralistic system. It will also consider the advantages of commercial accounting systems, while admitting that any such system has only limited application to the university goals. HEIs are service providers which manufacture different products in the field of research and teaching. We therefore argue for a university accounting system situated somewhere between the cameralistic system and a highly-differentiated cost accounting system. The final decision can sway one way or another - what is far more important is that the following methods are incorporated:

1. Cost types accounts
2. Cost centre accounts
3. Cost objective accounts

Apart from the university-specific cost accounting using the methods just described, it is necessary – extending beyond the status quo – to introduce a controlling function for the purposes of coordinating and controlling. This involves an inter-functional control instrument that supports a targeted information gathering and information processing system. Beyond this, a balanced relationship must be assured between State responsibility and academic autonomy. This can be best achieved by concluding specific service agreements of fixed duration that could be subject to periodic monitoring without allowing the academic freedom to be infringed upon.

The presentation will conclude with the view that the aim of a new system should be to change this historically based input-control into output-control based on economic factors. (“if a certain agreed task is fulfilled I am prepared to pay the agreed sum for this”). For us in Germany this represents a fundamental change to our previous budget system and the chances of its realisation can still not be completely foreseen.

Hans Seidler,

Hans outlined the ways in which new conditions of governmental control led to demands for greater transparency which might benefit both universities and the State. Any new system of accounting

which replaced the former cameralistic system should have several main aims, defined as in the abstract.

Discussion included several aspects of the talk, which had itself reviewed not only the features of accounting systems but also the accountability to government. Hans noted that the differences between *Länder* meant that benchmarking comparisons were sometimes difficult. A number of participants noted the problems of cost and comparability associated with commercial products. It was also observed that whereas private companies could distinguish between public documents (annual accounts, etc) and confidential papers, universities became less and less able to withhold information as they developed institution- or system-wide systems – and with the possibility of permanent inspection from outside came the possibility of external control.

HS insisted on transparency as an aim, and thought comparative costs analysis was vital. He accepted, in theory, the view that academic quality might be driven down by a concern about costs, but did not feel that it was a reality. He agreed with the view put forward that the price of providing answers and details to outside bodies was worth paying, since better information led to better management. Where he did see a problem was in the replacement of State bureaucracy by a university bureaucracy, and a mad duplication whereby there would ultimately be accreditation of accrediting bodies.

Panel Session: “The role of Lay Members on Governing Bodies”

Four presentations were made of contrasting systems including the Netherlands, “old” and “new” universities in the United Kingdom, and Spain. These all analysed in different ways the effects of appointment as opposed to election of members of governing bodies, and the power of those bodies. There was considerable interest in the structure employed in Spain, and the different levels of Government (both State and Regional), the Social council, and the University, which itself had different responsibilities for government bodies and Faculties/departments.

They also focused on the role of lay members, and the proportion and influence of such people. There was a clear belief among panel members that lay members took that role extremely seriously, and they agreed with the observation that this was important to ensure that lay members had a proper job to do. They also recognised the danger that lay members with business backgrounds tended sometimes to lose their commercial instincts when faced with the different structures of the university world. UK members in particular stressed the importance of providing good induction (training) for new members.

## Effective Governance of Universities

Steve Cannon, University of Aberdeen

Steve Cannon opened his presentation by quoting from two contributors to an International Seminar on University Governance and Management in Barcelona earlier in the year, to say that “governance within higher education is a most complicated and challenging issue. Of all issues currently under discussion in the world of higher education, few are more controversial than those pertaining to institutions of governance. Who should govern a university, how, and to what ends, have been recurring questions in the history of universities”.

In recent years higher education institutions (HEIs) had experienced major changes in their governance and leadership. The former autonomy of institutions within national systems was tempered by the realities of funding mechanisms and quality assessment procedures. There had been reductions in funding from the public purse and, in many countries, tertiary institutions are being given greater responsibility for the management of their financial affairs. Steve drew together various points made earlier in the seminar in order to underline his main argument that governments across Europe actually know that universities are very good at what they do, and that - since governmental interest in accountability was entirely justifiable - universities could very reasonably point to the ways in which they followed good practice.

The Chief Executive of the Scottish Higher Education Funding Council (SHEFC) had commented that whilst reliance on the State for funding means that notions of freedom from the State are little more than illusions, institutions enjoy (within a broadly based framework of accountability) considerable freedom to manage their own affairs. That framework, however, places clear and specific duties, responsibilities and obligations on institutions, funding councils and the State.

In the United Kingdom as long ago as 1985 the State established a new framework of governance appropriate for institutions that it considered were “first and foremost corporate enterprises” and urged universities to examine their structures and develop plans to meet certain key requirements. Governing bodies were encouraged to assert their responsibilities in governing their institutions, notably in respect of strategic plans, which should underpin academic decisions and structures to bring planning, resource allocation and accountability together in one corporate process linking academic, financial and physical aspects. It is this view of HEIs as “first and foremost corporate enterprises” that encouraged SHEFC to look to corporate governance arrangements in the private sector to provide a lead. Thus as in the private sector, where shareholders look to corporate boards to safeguard, regulate and add value to their investment, State authorities are increasingly looking to institutions of governance to do the same for public funds.

However, unlike company boards, the Governing bodies of HEIs have on the whole not been designed for strategic management but rather as representative bodies of a wide constituency of interests. Governing bodies, particularly in the older universities, derive from an age when their roles and responsibilities were more symbolic than real, when the "dignified" as opposed to the "efficient" elements of governance were emphasised. A university is primarily defined by its business of teaching and research, and, while it must remain solvent, looks principally not to profits but to the value of its outputs. In addition, and uniquely, in many of the older universities the core business - academic matters – lies beyond the the governing body.

He outlined various statements by the Scottish Funding Council to stress the importance of proper (that is, not just legal, but effective and efficient) use of resources, and illustrated ways in which his own university had set about training and improving the members of its governing body (Court). In this context he agreed with the point which was made that members of governing bodies tend not to understand the actual core business of a university (teaching and research); he also warned that universities needed to ensure that they made members aware of precise (and changing) demands. It was clear from comments made concerning "away days" or questionnaires and interviews with members of governing bodies that other members were determined to raise consciousness.

At the closure of the seminar in the late afternoon participants enjoyed a guided walking tour of Berlin. The site of the former Wall was in itself a symbol of the European dimension of the network, and for a party of university staff no monument could have been more powerful than that created in the Bebelplatz to commemorate the mass burning of books by Nazi sympathisers in 1933.

In university terms, a lay person is someone from outside the organisation – the parallel with religious organisation is clear, in that for churches one has members of religious bodies (priests, etc) and lay people.

Harry de Beure and Leo Goedegebuure, in a discussion on Dutch University governance in transition,