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Higher Education Governance Reforms in Europe and Serbia

- Recommendations for the Way Froward -

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Abstract

Higher education governance reforms in Europe are gaining increased attention from HE scholars. Past three decades witnessed reforms of higher education governance in almost all countries in Europe. The topics of HE autonomy, funding, and performance are increasingly gaining ground on the policy makers agendas. The governments are trying to find new ways to steer higher education institutions in order to increase their efficiency and effectiveness and create contribution to national economies. The focus of this thesis is on the relationships between the state and higher education institutions, as well as between different bodies inside the higher education institutions themselves. In other words, the research focus is on internal and external governance. Combination of exploratory and descriptive multiple case study was selected as a research strategy for the purpose of this dissertation. Five European countries have been chosen as case studies: Austria, Finland, North Rhine-Westphalia (Germany), the Netherlands and Slovenia. Their experience with governance reforms is then applied in Serbian context in the form of recommendations for Serbian policy makers. Semi structured interviews with HE experts and other stakeholders have been used for data collection, and governance equalizer and multi-faceted model of organizational change for data analysis.

This research produced a number of important findings. First, in the case of five European case studies, there were many changes in both external and internal governance. The governments of these countries decided to steer higher education from a distance, granting higher education institutions higher institutional autonomy. At the same time accountability requirements increased in form of performance based budgeting, introduction of external stakeholders to governing bodies of higher education institutions, reporting, quality assurance, and evaluation and accreditation procedures. Also, the governments emphasized greater role of markets in higher education and foster universities to compete for additional funds, students and staff. In terms of internal governance, higher education institutions have been strengthened as organizations. The role of Rectors and Deans increased, while collegial bodies lost their power and now have mainly advisory role. When it comes to Serbian context, many problems have been identified and some solutions for the new higher education reform was suggested. The main recommendations are for the government to increase its interest and role in higher education on one hand, and to integrate public universities on the other. That will open more space for funding reforms, increased autonomy for higher education institutions, institutional management reform and better efficiency and effectiveness.

Keywords: *higher education, governance, reform, Europe, Serbia, university integration, autonomy, funding*

Statutory declaration

I, Aleksandar Avramović, born the 12.04.1990 in Belgrade, Serbia hereby declare:

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List of Abbreviations

CAQA - Commission for Accreditation and Quality Assurance (in Serbia)

CHEPS – Center for Higher Education Policy Studies

EC – European Commission

ENQUA - European Association for Quality Assurance in Higher Education

EU – European Union

EUA – European University Association

FINECC - Finnish Education Evaluation Center

HE – Higher Education

HEIs – Higher Education Institutions

NCHE – National Council for Higher Education (in Slovenia and Serbia under the same name)

NPM – New Public Management

OECD – Organization for Economic Cooperation and Development

RDT – Resource Dependency Theory

SFRY – Socialist Federative Republic of Yugoslavia

NAKVIS - The National Agency for the Quality of Higher Education (in Slovenia)

UASs – University of Applied Sciences

UCOTE – University Colleges of Teacher Education

Foreword

It stands to the everlasting credit of science that by acting on the human mind it has overcome man's insecurity before himself and before nature.

- *Albert Einstein*

Writing this master thesis was a challenge and a great pleasure. It took me through a lot of pain and doubts, and at the same time it gave me a plenty of joy and happiness. There were times when I had doubts in myself and my ability to produce such a piece. After all, I have never written a thesis of any kind before. And I probably never would, if there were no people to support me in this endeavor.

I would like to express my gratitude to my supervisor, Mr. Roland Hummer for his support, kind words and encouragement. I am especially grateful for his advices in the form of questions, because I never felt that he was telling me what to do. By answering the question, the solution would simply manifest itself. Great wisdom is required for this kind of guidance, and I am thankful for that.

I would also like to thank Mr. Attila Pausits and the entire MARIHE team in all four universities, for establishing this program and providing me with the opportunity to advance my knowledge and skills, but also to travel and share this adventure with some of the best people in the world.

Then, I am grateful to all of my friends from the MARIHE program. From the first day in Krems, our group supported each other and learned, learned, learned…I gained friends for life, but during these two years, I can freely say that they were and still are my family. A man can only dream to be a part of such a cohort of students. I was lucky to live that dream.

Finally, I am thankful to my parents, brother, grandparents and my girlfriend. I am the first in the history of my family who studies abroad, and who obtained university diploma at the first place. My parents have sacrificed a lot to help me to achieve this. Finally, my biggest gratitude goes to my girlfriend. She was there for me all the time, no matter how far the physical distances were. Without her love, wisdom and calm words and without my family's unconditional support and advice, none of this would be possible. This thesis is dedicated to all of them.

Aleksandar Avramović

Krems an der Donau, June 24th, 2016

Chapter 1: Introduction

Chapter one describes the context in which changes in higher education governance emerged as part of broader reforms in the public sector. It presents three ideas behind these reforms – New Public Management, networks and governance, as well as relationships between them. The chapter then shortly summarizes the main research done about higher education governance in Europe and Serbia. Finally, the chapter will help in fulfilling's individual research objective number one: *Analyze the origin, meaning and importance of governance in higher education.*

1.1. Background

1.1.1. Reforms of the Public Sector

Higher Education (HE) reforms are happening in Europe since the beginning of the 1980s as part of broader transformation of the public sector (Enders et al., 2006a). The first wave of reforms occurred after the decline of the welfare state, which was a dominant economic model throughout 1960s and 1970s, characterized by state planning in public services. The welfare state was accused of being unaffordable and ineffective, and already by the beginning of the 1980s was in some cases replaced by more business-like public service (Broucker, Wit, & Leisyte, 2015). New Public Management (NPM), a term covering a broad range of different reforms, became a dominant model in running the public sector at that time in the United States, New Zealand, Australia, and the United Kingdom. NPM doctrine is famous for emphasizing a private sector style of management, explicit standards, and measures of performance, output control, greater competition, disaggregation of units and hands-on professional management (Hood, 1991; Sporn, 2003). Today, after almost four decades of NPM existence, it is not clear what the result of NPM-like reforms was. In the eyes of some, NPM was the only solution for correcting failures of the public sector, while for some others it was a disruptive doctrine aiming to destroy decades of work in developing a decent public service (Hood, 1991).

The next wave of public sector reforms happened during the late 1990s and beginning of 2000s with new, post-NPM models emerging. These models have not replaced NPM, but rather added some new layers on its foundations. Pollitt and Bouckaert (2011) described this phenomenon as similar to "geological sedimentation, where new layers overlie but do not replace or completely wash away the previous layer." (p. 8). Unlike NPM, there is no single umbrella term for describing these reforms. Among many different post-NPM models and traditions, two have been very popular and widely discussed – the role of *networks* and new forms of *governance* (M. Bevir & Rhodes, 2011; Pollitt & Bouckaert, 2011).

Governing through *networks* has its origins in the idea that the modern public sector is far too complex to be governed in a hierarchical way. As Curry (2014) noticed, networks are gaining importance because the relationship between different sectors in the society are becoming less hierarchical and more horizontal. Governing trough networks as a process aims to recognize new players in the public sector and tries to develop a plan for understanding and

managing these new, and sometimes very complex relationships between the actors (both governmental and non-governmental) in the public arena. (p. 13). There are too many actors involved in public service and too many problems to be solved, and in that sense it is not likely that some single government agency can be capable of defining and designing solutions for all these issues on its own, and coordinating all involved stakeholders (Robinson, 2015, p. 13). In contrast to NPM, with principal-agent contracts and reliance on markets for creating better efficiency, governing through networks means that government and non-government actors are "connected through more informal agreements or relational contracts and a focus on the effectiveness of services in contributing to larger outcomes" (Eppel, 2013, p. 5). In that sense, networks can provide much-needed flexibility, and tackle the problems of increased complexity in the public sector (Pollitt & Bouckaert, 2011). To be able to improve public sector operations, networks has to be used properly, which is why network management is gaining importance nowadays (McGuire, 2011). Networks approach also has some weaknesses. For example, what is considered to be a major shortcoming of the concept of networks is that (1) it ignores conflicts, power and power differences; (2) it sees government as any other organization in the society, neglecting at the same time its role as the protector of public interest; and (3) finally it lacks a clear evaluation criteria (Klijn & Koppenjan, 2000).

A second post-NPM tradition is *governance*. The term governance has different meanings, but in the context of public sector reforms, it is used to refer to a new form of governing by relying more on information, negotiation, and bargaining between the public administration and other critical stakeholders in its external environment (Pierre, 2004, p. 194). The new model differs from the previous, hierarchical way of governing, in which public authorities had direct control over the citizens and organizations of civil society (Mayntz, 2003). In the literature, this change in the governing model is often labeled as a *shift from government to governance* (De Boer & File, 2009). According to Levi-Faur (2012) this shift has three directions: *upward* (with new players emerging above the state level – such as regional and international organizations), *downward* (moving the authority to the level of the institutions) and *horizontally* (with the independent or private organizations taking the role in actions of public sector). From *government to governance* means that there are is more than one arena in the society where the authority can be institutionalized. These arenas can cooperate, negotiate or just ignore each other's (p. 31).

There are many reasons for above mentioned transition: (1) Increased and more complex problems in the societies together with more complex policy agenda; (2) specialized and ever growing public administration; (3) growing demand for expertise; (4) internationalization; (5) decentralization; (6) expansion of ICTs (information and communication technologies), and (7) the influence of globalization, are just some of them (Sundström & Jacobsson, 2007). As an additional reason, Lynn (2011) argues that citizens are growing impatient and have less trust in their governments. Thus, they are demanding more democratic governance structures. The response to these requirements and previously mentioned changes in the societies is a gradual transition to a new public management (NPM) system with the following characteristics: (1) non-state players are gaining importance; (2)

there are more collaborations between public and the private sectors; (3) the role of market is increasing; (4) structures are more decentralized; (5) cooperation between different spheres of policy; (6) great importance of non-formal rules; (7) perpetual learning, improvement and adaptability; (8) coordination (Lobel, 2012, p. 87).

The boundaries between NPM, networks and governance are not always clear. However, what is certain is that there are similarities between these models (Dedeurwaerdere, 2005; Provan & Kenis, 2008). For example, governance and networks are quite similar in a way that both emphasize horizontal relationships between governments and other organizations in the society. Furthermore, many authors are talking about the governance of networks or network governance (Bevir & Rhodes, 2011). Governance is sometimes seen as part of networks, or as a process which takes place within networks (Lynn, 2012). Second, the link between governance and NPM also exists. For example, the NPM idea about the establishment of competitive market doctrines in the public sector is now accepted by policy makers as an important governance tool (Lynn, 2011). Finally, the relationship between networks and NPM is not that clear since these two doctrines aim to achieve different things (Eppel, 2013). NPM is more about integrating private sector managerial practices and ideas into the organizations of public sector, while network management primary goal is to mediate and increase coordination between different policy making levels (Klijn & Koppenjan, 2000, p. 136).

1.1.2. Higher Education Reforms in Europe

As part of the public sector, HE also faced significant changes in Europe since the 1980s (Maassen & Jungblut, 2014; Middlehurst & Teixeira, 2012). As it was the case with the rest of public sector, HE was also accused at that time for inefficiency and low quality of service. However, when the reform process started, HE was even considered to be the frontrunner in public sector transformation (Magalhães & Amaral, 2009). Today, this process is not yet complete, and the scope and outcome of reforms are not yet clear. Some scholars argue that changes in HE sector have been fundamental and fast. Others claim that universities in Europe are going through slow evolutionary change while handling internal and external pressures from the environment (Maassen, 2008). Whatever the truth is, there are some common elements of the HE reforms in Europe. To name a few: (1) more autonomy for higher education institutions (HEIs) with less direct governmental interventions; (2) more reliance on private instead of public funding; (3) highlighting quality and performance (Magalhães & Amaral, 2009; OECD, 2008; Paradeise, 2012). As in the other public sectors, De Boer & Jongbloed (2012) noticed that *NPM*, *networks* and *governance* are the most important narratives when it comes to HE change. In order to increase efficiency and effectiveness of HEIs and improves the quality of their service, policy makers had to change the rules of the game and reduce the roles of hierarchies and collegial self-governance. In the new system of governance, the roles of networks and markets increased (p. 533).

NPM is an essential part of HE reforms, at least according to the available literature. For example, Middlehurst & Teixeira (2012) see NPM related changes - the introduction of markets as a regulatory mechanism and competition in HE - as an "ideological shift linked to

prevailing beliefs" in them (p. 533). According to NPM, today's universities are weak, loosely coupled organizations and have to be strengthen from within. Only then HEIs will be able to compete, respond to market challenges and survive different forms of state evaluations (Moscati, 2012, p. 603). Besides criticism, NPM represents a sort of guidance framework for HE policy practitioners (Marginson, 2009) who want to introduce HE reforms, and in this regard it is important.

With an increased number of players in HE, *networks* also gained greater attention in HE research. Together with organizations such as research and funding councils, quality assurance and accreditation agencies, some new players such as Ministries (besides those in charge for HE) are entering the field on national level – for example, Ministry of Health and Economy (De Boer & File, 2009). Building connections between these actors positioned on different levels are becoming more complex (multi-actor, multi–level). The new role of the state in this kind of arrangement is to "bring actors together, build trust, arbitrate and verify interactions" (Ferlie, Musselin, & Andresani, 2009, p. 16).). In other words, the state is becoming quasi network manager (Enders et al., 2006a).

1.1.3. Higher Education Governance

Levi-Faur (2012) believes that the reason behind increased attention given to governance is that this very term carries the idea and the meaning of change. According to this author, this is happening in a time of turbulence, when scholars become more open for new ideas and concepts. Rhodes (2012) followed the same line of thought, arguing that governance represents a change in the definition of government, implying new processes, methods or conditions in which societies are governed. Governing higher education became an important issue for both state and HEIs across Europe, at least according to the available literature. Kohler (2006) confirms this by saying that much of the discussion about HE today is related to the issues of university autonomy, quality assurance, different ways of steering, increasing efficiency and effectiveness of HE service and social responsibility of HEIs. HE governance became important on both stages (institutional and system) (p. 17).

Governance in HE is studied in different ways and on different levels. Literature about HE governance reforms in Europe can be placed into two groups. Literature in the first group is trying to describe and compare HE governance reforms in European countries (Curaj, Scott, Vlasceanu, & Wilson, 2012; De Boer & File, 2009; Eurydice, 2008; Enders et al., 2006a; Enders et al., 2006b; Kohler, Huber, & Bergan, 2006; Maassen, 2003). The second group consists of studies focusing on one or more governance issues such as HE autonomy and funding (De Boer, Jongbloed, Enders, & File, 2010; Estermann & Nokkala, 2009), introduction of markets in HE (De Boer & Jongbloed, 2012; Teixeira, Jongbloed, Amaral, & Dill, 2004), NPM and its influence on reform process (Amaral, Fulton, & Larsen, 2003; Boer, 2003; Pechar, 2003; Salminen, 2003), implementation and effects of reforms (Castro, 2012; Gornitzka, Kyvik, & Stensaker, 2005; Sabatier, 2005), and influence of European Union (EU) and its processes (Amaral, Neave, Musselin, & Maassen, 2009; Elken, Gornitzka, Maassen, & Vukasović, 2011; Kehm, Huisman, & Stensaker, 2009). Thus, literature about HE governance

in Europe is quite extensive and covers most of the major issues. However, there is still place for further research when it comes to (1) networks and their different interpretation; (2) relationships, power and trust on university micro-levels; (3) issues of governance effectiveness and finally, (4) the issue of proper balance between economic and non-economic activities of universities (Middlehurst & Teixeira, 2012)

In order to understand changes in HE governance, some information is needed about the environment or the context in which these reforms occurred (Pfeffer & Salancik, 2003). The economic and socio-demographic situation in Europe is changing together with the rise of new technologies. Such transformations put pressure on national economies, their social systems and public sector, including institutions of HE (Middlehurst & Teixeira, 2012). Reforms of public sector based on NPM principles are leading to privatization, increased managerialism, marketization, cost-consciousness, use of performance indicators, and auditing systems (Sporn, 2003). HE as part of a public sector slowly embarked on the same transformation route, using similar ideas. In addition, the rise of so-called knowledge economy (in the United States (US), and later in Europe) forced national governments to stop thinking about HE only as a necessary cost but to recognize it as the potential contributor to the economic growth (Maassen & Musselin, 2009).

To cope with these changes, European countries are trying to reform their HE systems now already for more than three decades (Paradeise, 2012; Pinheiro & Stensaker, 2014). For instance Netherlands, Germany, Austria, and Finland (De Boer & File, 2009; De Boer et al., 2010b; De Boer & Jongbloed, 2012; Moscati, 2012) made significant reforms in their HE. Other countries such as Slovenia (Zgaga et al., 2013) and Serbia (Branković, 2010; Vujacic, Djordjevic, Kovacevic, & Sunderic, 2013) also experimented with their HE systems and made some visible changes. What is common for all countries in Europe is that HE governance reform is seen as one of the most important aspects of HE transformation (Huisman, 2009). Both national governments and international (OECD, UNESCO) and supranational (EU) organizations understand its importance. For example, the EU urged its member states to reform their HE systems and to ensure that HEIs are accountable to the society and have sufficient level of autonomy and improved governance structures. Member states also have to provide additional funding for HEIs but also to diversify current funding streams in order to make HE a more competitive sector which can answer to the new challenges (The Council of the European Union, 2007, p. 2).

Research about HE governance usually looks at changes at two major levels (Eurydice, 2008). The first one implies the shift at the external governance level, where the relationship between the state and HEIs is under transformation in the majority of European countries. The second level is happening inside the HEIs, where internal decision-making processes, authority and division of power are being revised to make these institutions more effective and efficient (Middlehurst & Teixeira, 2012). Research about system-level reforms still prevails in the literature. Nowadays, however, more and more studies can be found abut institutional level transformations. It is interesting that even though it usually takes time for public sector reforms

to show some visible results, assessment of achievements already started in HE (De Boer et al., 2010b; Enders et al., 2006c). Nevertheless, before it take place, it can be useful to look back, summarize and compare what was changed in HE governance as well as why, and how.

1.2. Research Focus, Question, Aim, and Significance

Governance relates to all matters of HE. It is important for both HE and research institutions, but also to the state authorities, involved in one way or another in HE and research (Kohler, 2006). With the increased awareness of governance importance, the idea of HE governance reform has also grown. For example, (Weber, 2006) stressed the "the urgent need for change" in HE governance. It seems that state authorities responsible for HE have the same thoughts. Looking at the shear number of countries which had some sort of HE governance reforms in the past decades, it is clear that governance reforms are happening. Almost all European countries experienced at least minor changes in their HE governance policy and structures (De Boer & File, 2009; De Boer et al., 2010b; Enders et al., 2006c; Eurydice, 2008). For that reason, it can be useful to look back and see whether recent governance reforms were successful or not, what were the major obstacles and is there room for improvement.

This thesis will focus on one on hand on HE governance reforms in five European Union (EU) member states – Austria, Finland, Germany (North Rhine-Westphalia), Netherlands and Slovenia. It will look at changes in both external and internal governance structures and policies. On the other hand, the thesis will also focus on Serbia, a country in the Western Balkan's (WB) region. The most recent Law on Higher Education was adopted in 2005 (Branković, 2010; Vujacic et al., 2013) and at that time this Act was considered to be a major reform document. The point of interest will again be the recent internal and external governance changes, but also the recommendations for the future HE reform, based on EU countries experience. At the moment, Serbia is heading towards the new HE reform (Andrić, 2015). The process is currently on hold due to the most recent elections. However, it is very likely that the process will continue as soon as a new government is elected. When it comes to the type of HE institutions, the main focus will be placed on public universities since they represent the majority of the HE sector in most of EU case studies. Universities of applied sciences (UASs) will receive much less attention, because of the thesis limitations and fact that Serbia do not have strongly developed vocational HE sector. Private universities and other types of HEIs will gain almost no attention, except in the case of Serbia, where they represent significant part of the HE system.

When it comes to research question, the thesis will have only one main research question:

> *What can higher education policy makers in Serbia learn from recent and ongoing reforms of higher education governance in European countries, and how can this experience be used for higher education reform in Serbia?*

Answering this question will help policy makers in Serbia to understand better developments at the European level regarding HE governance and to discuss the possible solutions that may be useful for the future HE reform.

Then in terms of research aim, its purpose is to better clarify the main research question. Thesis will have one overall research aim and four individual research objectives. The overall research aim of this research will be to explore possible options for HE governance reform in Serbia, based on examples from five selected EU countries. However, in order to understand changes in these countries, further investigation is needed on the contents and the very rationales behind governance transformations. What are the drivers of governance reform, and what kind of changes are introduced is the main issue here. Furthermore, the additional problems are related to negotiation processes between different stakeholders, and its later implementation. In other words, do new HE governance arrangements in selected European countries function in the same way in practice as it was described in HE research literature, and where was the idea for the reforms taken from? Since information about these issues is scarce, additional research has to be done. For the purpose of this thesis, two main research tools will be used: review of relevant literature and analysis of empirical data. More information about research tools, strategy, research subjects and data collection can be found in the chapter named Research Methods.

Based on the overall research aim, the individual research objectives of the thesis will be to:

1. Analyze the origin, meaning and importance of governance in higher education;

2. Identify the theoretical explanations of HE governance reforms in the EU case studies;

3. Explore different stakeholders views on current HE governance arrangements and possible future reforms in the EU case studies and Serbia;

4. Formulate recommendations for Serbian HE policy makers based on EU case studies experience with HE governance reforms.

Finally, it is important to stress the value of this research, both for the policy makers and HE scholars and community. First of all, the thesis will shed new light on recent changes in HE governance in Europe. It will help policy makers to acquire better understanding of HE landscape, the points of strength and weakness of the current system and discuss options for further reforms. For EU case study countries, it will provide some new information on the current level of implementation of previously adopted changes, some critiques of the system as well as some future plans. At the time when governance is considered to be a major issue for HEIs, this is of great importance. On the other end of the spectrum, Serbian policymakers will also benefit from this thesis since it will provide a useful tool and hopefully help them navigate through upcoming HE governance reform. For the HE community and scholars this research will be important because it will look at governance issues from two theories: NPM and Resource Dependency (RDT). There is much literature about NPM, but RDT was not used as much to explain recent governance changes. Also, the thesis will, to a certain extent fill the existing research gap, especially when it comes to the case of Serbia.

1.3. Research Gap

As it can be seen from the previous section, there is already much literature about HE reforms in Europe, mostly describing and comparing governance reforms or some of its elements. However, what may be a missing element in these studies is the research about the situation *on the ground*. Systematic data is scarce on how the reforms were negotiated and later implemented, with the exception of Austria where some information exists (Pechar, 2003, 2012). In other selected country case studies, these issues are researched less systematically. This dissertation will address both what was changed in HE governance, but it will also look at negotiation processes (and possible compromises made during this process), how the agreed was implemented, and what are the problems with the new structures. As Enders et al. (2006a) mentioned: "…before governance policies can be fine-tuned, a better understanding of the magnitude and success (or failure) of the changes now occurring is first in order" (p. 10).

When it comes to Serbia and WB countries in general, HE is a mainly unexplored field of science. There are only a few resources in English dealing with some of the issues related to HE in Serbia and the region. Trying to point at this problem (Vukasović, 2012) noticed that: the main problem with HE research is the lack of available data (both qualitative and quantitative) (p. 33). When it comes to higher education governance, the situation is similar, and even though some research exists (Baćević, 2008; Branković, 2010; Europen Commission, 2012; Galevski & Mihut, 2013; Marinković-Nedučin, 2006; Pausits & Reisky, 2010; Turajlić, 2003; Vujacic et al., 2013) it is not enough for deeper analysis. A study done by Branković (2010) is the most relevant source of information for this particular research topic because it focuses on both internal and external governance changes, and it describes novelties introduced by the 2005 Law on Higher Education. Also, this study is dealing with the role and involvement of different actors during the negotiation process of the adoption of the new HE Law, and in that sense is very useful for this thesis. However, even though no new legislation was passed since 2005 (with the exclusion of some minor Law amendments), there is no research on how the HE system works and why the is government preparing the new Law.

There is a small number of studies dealing with individual aspects of HE governance (usually covering the entire region of the Western Balkans - WB). For example, HE funding has been researched quite extensively (Babin, 2008; Branković & Šabić, 2011; Vukasović, 2009; Žarkić Joksimović & Benković, 2015) together with Europeanization influence on HE (Vukasović, 2012, 2013). Some research has done about HE reforms in the region of WB (Miklavič & Komljenović, 2014; Zgaga et al., 2013). Other than that there are no other significant studies about HE governance in Serbia, its weaknesses, and strengths. Hopefully, this thesis will at least partly fill the existing research gap.

Chapter 2: Literature Review

Chapter two aims to fulfill three main objectives. The first task of the chapter is to examine available literature on HE governance changes in Europe looking from RDT and NPM perspectives. Second goal of the chapter is to provide a conceptual framework for the thesis. Finally, it will also provide an operational framework for the analysis of data in chapters four and five. The operational framework has two sections. The first one is slightly modified Austin's (2009) multi-faceted model of organizational change, and the second is governance equalizer tool combined with five dimensions, of governance as it was used in De Boer, Enders, & Schimank (2007) research. Finally, by writing this chapter, the second individual research objective - *Identify the theoretical explanations of HE governance reforms in the EU case studies* - will be achieved.

2.1. Theoretical Background

2.1.1. Resource Dependency Theory

Resource Dependency Theory (RDT) appeared in 1978 for the first time as complete theoretical framework in the book developed book *The External Control of Organizations: A Resource Dependence Perspective*. Jeffrey Pfeffer and Gerald R. Salancik, authors of the book worked at the University of Stanford at the time when researchers from this institution produced many new theories in the field of organizational science. Among these new paradigms RDT is considered to be the most complete and all-inclusive in dealing with organizations (Davis & Cobb, 2009, p. 3) or as Hillman, Withers, and Collins (2009) stressed, RDT became one of the most important theories in the organizational science (p. 1404). In the following lines, main premises of this theory will be critically evaluated.

RDT is built around three main themes. First, social context is important for one organization. Second, there are different strategies on organizational disposal for managing its environment, and enhancing autonomy. Finally, the concept of power is crucial for understanding organizational actions, both external and internal (Davis & Cobb, 2009, p. 5). The first theme relates to social context or environment. Each organization depends on its environment for survival. It means that all the necessary resources crucial for organizational survival have to be acquired from the environment (Bess & Dee, 2008). This leads the discussion to two important concepts in RDT: the first on is environment itself, and the other one is interdependence between the organization and its environment.

The environment is the very broad term. According to Pfeffer and Salancik (2003) environment represent any event which has influence on organizational actions and behavior (p. 12). For that reason, everything that happens in the world and every other organization in existence creates social context/environment. However, this definition is way too broad. Two remarks can be made at this point. The first is that not necessarily every event that organization encounter has an impact on it. Moreover, the second, there might be some happenings in the world that organization do not recognize, or consider not valuable enough to make a respond (Pfeffer & Salancik, 2003). Thus, it can be concluded that organizational environment/social

context represents only those events that affect one organization and force it to recognize it and make a response.

The second concept is *interdependence*. Pfeffer and Salancik (2003) argue that interdependence refers to any happening in the environment which depends on causal relationship between the two agents (p. 40). Interdependence is important because organization usually do not possess all the necessary resources to survive. This creates interdependence between the organization and its environment, leading to uncertainty. Finally, to reduce uncertainty, the organization is trying to create new strategies and adapt to the situation (Lipincka & Verhoeven, 2014). Organization dependency on its environment is related to *criticality* and *scarcity* of resources that organization needs to survive. The level of criticality measures the importance of certain resource for the organization, while, scarcity reflects alternative sources of the resource in the environment. If the resource is both critical and scarce, then the organization is vastly reliant on the provider of the necessary resource in the environment (Bess & Dee, 2008).

The second important theme relates to organizational tactics for managing the environment and interdependence. There are three main types of tactics offered by the RDT: reduction of dependency, creating external relations and enactment of a completely new environment (Pfeffer & Salancik, 2003). *Dependency reduction* means that organization can reduce its dependence on one source supplier or one set of customers. In a HE context, this means that HEIs can try to diversify their income structure, thus being less dependent on state funding. These includes student's contributions, money coming from the deals with the industry, funding from donations, profits from services and different kind of international financing. HE governance changes in recent year's headed towards this direction. However, in Europe, HEIs are still highly dependent on state funding within average share of more than 70% (Estermann & Pruvot, 2011, p. 27). This put them in a position of a huge resource dependency towards the state. The diversification of customers means that HEIs are trying to entice other non-traditional students such as those over 25 years of age, internationals, parents, minorities, those with different sexual orientation, employed, and commuters (May & Akin, 1998). This can be done through various lifelong learning, e-learning, long distance or short cycle programs but also with providing non-traditional students a possibility to attend regular, full-time programs.

Next tactic is the *creation of external* linkages. By doing so, a focal organization can make other organization more dependent on itself. The focal organization is becoming more important to the environment and can secure more stable source of funding (Bess & Dee, 2008). There are many ways for HEIs to do so. For example, with the idea of entrepreneurial university and development of a third mission, HEIs engaged in different partnerships with the industry (Edmondson, Valigra, Kenward, Hudson, & Belfield, 2012). Also, universities started to provide career development and knowledge exchange programs for employees in companies and other organization, linking them with university services. Overusing this tactic can, on the other hand, bring more problems than benefits. Bess and Dee (2008) rightfully claimed that

with too many partnerships focal organization can lose focus, and in the final instance became even more dependent (p. 151). That is why the focal organization has to balance its external linkages.

The final tactic that focal organization can use is the *enactment of a new environment*. Pfeffer and Salancik (2003) dedicated a large section of their book to describe what does this mean in reality. In the previous two strategies, the focal organization was trying to change itself to adapt to the environment. However, if this is not successful, it can try to modify the environment and make it more favorable (Gebreyes, 2015). There are various ways of doing so. For example, an organization can invite external members to its board of directors, thus gaining and sharing sensitive information with other organizations managers. Then, it can create alliances and joint ventures with external organizations, sharing knowledge and working together in developing new products. This reduces the cost of launching new production independently. Then, a focal organization can use merger and acquisition to absorb resource provider and secure the necessary resource for itself. Finally, as the last option, a focal organization can decide to in-source production of the necessary resource (Drees & Heugens, 2013, p. 1669). Focal organizations are using all these tactics to reduce its resource dependency on actors in the environment, and to become more autonomous in their decisions. This is illustrated by Davis and Cobb (2009) who stressed that focal organizations should select the least compelling tool to manage relations with other organizations which will also increase their autonomy and reduce dependence (p. 6). Being unconstrained by environment should, therefore, be the main goal of the focal organization, whichever strategy it decide to use.

In the HE context the usage of some of these strategies can be considered, but of some others cannot. The main reason for this lies in the fact that Pfeffer and Salancik mostly observed the behavior of companies, while HEIs have some unique characteristics making them different from the business sector. For example, inviting external members to the board of directors can be to the certain extent equivalent of inviting external members to University Councils/Boards. In Europe, this was one of the trends in HE governance reforms (De Boer & File, 2009). In some countries University Councils/Boards have mixed structure, composed of both internal and external members, with main tasks of providing a strategy for HEI and monitoring its implementation. However, in some other countries, these bodies are composed exclusively of external members (Estermann & Nokkala, 2009), which make no sense in the context of companies.

Alliances and joint ventures are similar to consortiums in HE. For example, to get funding from Erasmus+ project, universities are creating consortiums of at least two institutions from two different countries. By doing so, they increase their chances of getting funding from European Commission and establishing a new program. In this case, students can to certain extent choose at which university in consortium they want to study, or can do that (it is sometimes expected) in more than one institution (European Commission, 2016). This can later result in a joint degree, thus being beneficial for all members of the consortium. The other two tactics are not similar to what HEIs are doing. Even though universities sometimes merge, it is

not entirely for the same reasons as companies do (to gain access to necessary resources). For example, universities can do so to strengthen their position towards the founders. Other reasons can be to increase the quality of teaching and research, to realize some economic gains, to consolidate the HE system or just to integrate small and spread HEIs across the country (Pruvot, Estermann, & Mason, 2015).

The final theme in RDT relates to importance of power. Some organization in the environment have more power than others, for various reasons. Pfeffer and Salancik (2003) also noticed the same phenomenon. According to them some organization are more powerful thanks to their position in the environment and the nature of their relationships with other organizations (p. xiii). For example, the government is usually one of the most powerful players in the environment. It was already mentioned that HEIs in Europe are still heavily reliant on public funding. However, since there is usually more than one provider of HE services in one country, the government is less dependent on one single supplier of HE services, making it less dependent on certain HEI then the other way around. This is one of the reasons why the government can introduce various policies and force HEIs to accept them. Also, resource dependency also affect internal power dynamics (Pfeffer & Salancik, 2003). For instance, those individuals, groups or even departments in HEIs who can help in acquiring necessary resources from the environment, can have more power than those who are not doing so. In that respect, it is noticeable that power is shifting from collegial bodies in universities to managerial structures. The prevailing belief in today's Europe is that former can do better in attracting funding for universities, and better position HEI on markets.

Finally, there was some criticism of RDT in literature. Since the 1978 and first edition of the book The External Control of Organizations, many authors tested RDT and found some inconsistencies. For example Casciaro and Piskorski (2005) from Harvard University criticized the concept of interdependence and its effect on mergers. According to these researchers, the idea of interdependence in RDT is composed of two elements: power imbalance and mutual dependence. However, these items have opposite effect on mergers. While mutual dependence encourages mergers, the power imbalance is an obstacle for them (Casciaro & Piskorski, 2005). One additional critique is also targeting RDT consistency. It claims that while in some cases resource dependency as an outcome has inter-organizational arrangements, there is also another research showing that it is not entirely true or sometimes can even prevent such endeavors (Drees & Heuges, 2013). Nevertheless, RDT will be used for explanation of governance reforms in this thesis together with New Public Management (NPM). NPM will be the topic of the next chapter in this work.

2.1.2. New Public Management

Second theory which can be used for explanation of HE governance reforms in Europe and Serbia is the New Public Management (NPM). Background sub-chapter (one section of the Introduction chapter) already presented NPM as a set of different managerial ideas collected under one umbrella term. Also, it briefly described what the relationship between NPM, reforms of the public sector and HE is, and how this doctrine influenced recent governance

reforms in HE. At this point, thesis will go a little bit deeper into this last issue. First most important principles of NPM will be described followed by their application in HE.

As it was already mentioned, NPM is an umbrella term (Pollitt & Bouckaert, 2011) describing different managerial practices applied in public services. In the literature, NPM ideas are scattered and there are only a few sources trying to summarize what these ideas stand for. Hood (1991) article was quite successful in a way that it described main NPM ideas, their meaning and justification. All of them have in its essence the introduction of business management style in the organizations of public sector. The main idea was to increase the efficiency and effectiveness of public organizations by introducing some elements which proved to be successful in private companies (Ziegele, 2008). Because of its emphasis on marketization, managerialism, and privatization (Sporn, 2003) NPM is often regarded as a neo-liberal doctrine (Lorenz, 2012). It is undeniable that there are some elements of neoliberalism in NPM. However, the difference between neoliberalism and NPM is clear. While neo-liberal doctrines are trying to reduce the size of the public sector and use privatization to substitute for public services, NPM main idea is to improve public sector by borrowing some ideas and techniques of private sector (Hénard & Mitterle, 2010). In that respect NPM should be regarded as ideologically neutral doctrine (Vabø, 2009), applicable to any sort of socio-political and economic environment. If this is not the case, it would be hard to understand how some countries in Europe with strong socio-democratic cultures (such as Nordic countries or Germany) are using NPM to reform their public sector.

In terms of HE in Europe, NPM influence was strong on recent governance changes. Broucker, De Wit and Leisyte (2015) identified four essential aspects of HE reform in Europe influenced by NPM: (1) reforms related to introduction of market mechanism; (2) funding reforms; (3) increased focus on autonomy, performance and accountability; and finally (4) introduction of new styles and techniques in university management. Thesis will now look at each of these elements and see what is their connection with HE is.

Firstly, in some European countries state decided to abandon direct control over HE sector, and introduce market-like mechanisms instead (Middlehurst & Teixeira, 2012). In this new reality, the state takes a role of a market engineer. It means that today government is trying to set the rules, protect the customers and ensure the fair competition between HEIs (De Boer & Jongbloed, 2012). One aspect of market reforms in HE is increased the role of privatization. In some countries in Europe private HEIs, today even outnumber public ones. One of the reasons for this rise of the private sector is that government was not able to deal with the swift rise of student numbers on its own, and thus allowed private HEIs to enter the sector and fill the gap (Dittrich & Weck-Hannemann, 2010). Besides just providing study places for the ever-growing student population, private HEIs have two additional roles. The first one is to bring a *different* type of education (for example lifelong learning programs or religious education) and the second one is to offer *better* education (in case that the quality of the public institution is declining). In most of the cases, private HEIs are incorporated into HE system and sometimes

are even getting public funding from the government on the basis that private HEIs also provide public service (Duczmal, 2006).

Another important outcome of market-based reforms is increased the attention given to competition. There are two basic types of competition in HE. The first one is an old competition for prestige. However, with the rise of NPM, other, economical form of competition became more important (Marginson, 2009). In this other form, HEIs have to fight for best students, best staff and funding. Elite universities usually use their reputation and research capacity for attracting students and employees, while those non-elite institutions have to emphasize the quality of their services. In this respect quality assurance can help later institutions to show that students can get a quality education even though they do not attend elite universities (Hénard & Mitterle, 2010).

There is a strong criticism of introduction of markets in HE sector. Some critiques focus on the fact that the entire project of marketisation of HE in Europe was unsuccessful. For example, Marginson (2009) argued that even though some features of NPM has been applied: "market reform has failed in its essential project, the creation of functioning economic markets in higher education" (p. 2). Others offered a more likely interpretation of the current situation. Teixeira and Dill (2011) rightfully pointed out that the very nature of the HE does not allow full reliance on markets. Thus, what Bertolin (2011) calls *unavoidable state regulation* is a reality in today's Europe. It is the only question of how much government wants to interfere in HE. If it intends to reduce the direct control and to manage HE sector from a distance, then the application of some market elements can help in that respect. However, since nowhere can be found the full implementation of all market elements, then the q*uasi-market* (Agasisti & Catalano, 2006) is a more appropriate term for describing markets in HE. There are also critiques who claims that introduction of markets leads to a decrease in quality of HE service. The rationale behind this is that to compete and attract students some HEIs have to reduce the quality and make the path to diploma easier. Also, since markets are just recently introduced to HE, it is not likely to expect that students and their parents can make rational choices since that they are still immature consumers (European University Association, 2007).

The second element of NPM-led reforms in HE is those related to *funding or budgetary changes*. According to Enders et al. (2006b) there was no general decrease in public funding for HEIs in Europe in the last fifteen years, but on the other hand, the general costs of HE increased. That is why governments are trying to find a solution for this problem by introducing new funding arrangements. The first one, related to marketization is the introduction of student fees in some EU countries (Jongbloed, 2008). The transition from line-item budgeting to lump-sum is another important element of this change. Instead of providing money for each task as it was done in line item budgeting (for example for salaries, equipment, field trips) and without the possibility of transferring funds from one line to another, lump sum budgeting means giving the entire sum to the HIEs (Estermann, Pruvot, & Claeys-Kulik, 2013) Institution can later distribute funds according to its needs and priorities. This possibility of internal allocation of resources is also a part of an increased autonomy granted to institutions of higher learning by

the state. European government officials realized (influenced by NPM) that they cannot manage all the details of HEIs activities. However, what they can do is to control the outcomes/outputs (De Boer & Jongbloed, 2012). One element of this output management is the introduction of performance-based budgeting. This way of financing usually represent the addition to the core funding, and it is linked to some criteria's which HEIs has to fulfill to get more money. Usually, government negotiate and sign performance agreements with individual HEIs, agreeing on goals which universities have to fulfill to get additional funding. Also, this agreements set number of indicators which can be used for measuring performance (European Commission, 2011). By using performance-based funding, the state is trying to govern HE from a distance (Ferlie, Musselin, & Andresani, 2008).

The third element of NPM based reform in HE is increased focus on *autonomy, performance and accountability*. To allow HEIs to compete on the market and acquire their income, policymakers understood that higher level of autonomy had to be granted for institutions of higher learning. Universities already had academic freedom, but now they will also get a higher level of institutional autonomy, usually explained by European University Association division of four pillars – financial, organizational, academic and staffing (Estermann & Nokkala, 2009). This four-pillar autonomy model allows HEIs to manage their affairs and to be free from micromanagement from the respective ministry. However, not all the authors agree that institutional autonomy is higher today than 10 or 20 years ago. For example, Christensen (2011) and Enders et al. (2013) argued that there are two types of autonomy: formal and actual. While formal autonomy seemed to be low during the past two decades, actual autonomy was very high. With recent NPM reforms, the situation is now opposite, with lower actual autonomy, and higher formal autonomy. Reasons for this Christiansen saw in increased reporting which universities have to provide to state authorities (Christensen, 2011). Moreover, while it is clear that intervention autonomy (related to how much reporting HEIs has to provide to stakeholders) is nowadays lower than before the reforms (De Boer et al., 2010b), it is not rational to expect that universities will be completely free to use public funds without any responsibilities attached. That is why HEIs have to respond to demands for accountability to stakeholders and better performance (Amaral, Tavares, & Santos, 2012).

Accountability, performance and university autonomy are usually interlinked in literature. Policy makers who introduced NPM-based reforms in European HE believed that increased autonomy will help to fix the underperformance of HEIs. However, the question remains whether this is true or not. Recently, Enders et al. (2013) did an extensive literature review, looking at all studies which tried to find a link between HE autonomy and performance. They realized that in most of the cases other authors found some, the usually partial connection between the two. For example, the most extensive research in this respect was done by CHEPS. Their report looked at thirty-three European countries and had nine performance dimensions. This study showed that under the right conditions, increased autonomy leads to increased research, educational attainment and some graduates. For other performance dimensions the link with autonomy was weak or nonexistent (De Boer et al., 2010b). One possible explanation

for this situation is that the governance reforms in Europe were quite recent, and that better results might be visible after some longer period of time.

The final element of NPM reforms in HE is the *introduction of new styles and techniques in university management structures*. Old collegial decision making done by the academics was accused of being inefficient and inadequate for universities new reality (Pechar, 2012). Universities are expected to increase productivity, work on innovations, decrease dropout rates, cooperate with industry and society and reduce operational costs and old type academic self-governance seemed not to be fit for this purpose. That is why academics lost power to stronger executive leadership, while universities have been equipped with new managerial tools, instruments, indicators and practices (Ferlie et al., 2009). This is also proved by Boer et al. (2007) who compared governance changes in Austria, The Netherlands, Germany and the United Kingdom. They claimed that academic self-governance (one of the governance dimensions) decreased in all those cases where the other governance dimension (managerial self-governance) increased (p. 150). In practice, this meant that university leaders and managers, like rectors, deans and sometimes heads of departments have much stronger roles, while traditional university bodies (usually named Senate) composed of main academics lost their power. Also, new bodies were created such as university boards, partly or entirely composed of external stakeholders, to take care of university strategy (Middlehurst & Teixeira, 2012).

Not everyone was happy with these new solutions. The academic reaction was marked by extensive criticism of new managerial structures. For example, Ball (1998) described NPM reforms as: "fast, adventurous, carefree, gung-ho, open-plan, computerized, individualism of choice, autonomous enterprises, and sudden opportunity" (p. 124). In his recent article Martin (2016) focused his criticism on a rationale behind government push towards more centralized university governance. He claims that universities are becoming more centralized at the same time when literature management advocate for more decentralized managerial structures and majority of academics are criticizing it. Martin is also trying to prove (by relying on literature) that decentralized governance structures in universities can encourage innovation and creativity, better knowledge management, higher satisfaction and motivation of staff and can respond better to changes in the environment (Martin, 2016. pp. 3-4). Moscati (2012) also thinks that academics are not happy in their new position as mere workers dealing with knowledge, but he also rightfully acknowledged that they are neither satisfied with collegial decision making with "too many meetings and too few decisions taken" (p. 605).

2.1.3. RDT and NPM – Where is the Link?

Resource Dependency Theory and New Public Management are two theories developed more or less the same time, during the 1980s. Because of that, it is expected that there are some similarities between them. At this point, the link between two theories will be explained, as well as some major differences.

Frist, both theories have two levels of analysis – system and institutional. In addition, two theories are similar in a way that both of them offer some solutions for organizational problems at both levels. However, it seems that RDT put much more effort on the system level of analysis, and offered solutions for managing external environment (system). On the other hand, NPM focus is more on an institutional level and how to make organizations of public sector more efficient and effective. The second important linking element is the actual solutions proposed by NPM and RDT, even though they have slightly different focus. For example, bot theories opt for the presence of external stakeholders on organizational Boards. As it was already explained, one of the characteristics of HE governance changes in Europe was the introduction of University Boards/Councils. These bodies are responsible creating an organizational strategy and its implementation. In some countries, University Boards are composed entirely of external stakeholders, while in some others there is a mixture of external and internal stakeholders. Then, both RDT and NPM suggest higher autonomy for organizations, to be less constrained by the environment and able to manage their affairs. The increase in HEIs autonomy was also one, maybe the most important element of governance reforms in recent years. Finally, both theories are concerned with organizational survival and try to offer solutions for it.

The major differences between two theoretical models are emerging from their core ideas. While RDT mostly deals with reducing dependency from the environment and finding resources for survival, NPM focuses on increasing efficiency and effectiveness of organizational actions. As it was explained before, some of the strategies they offer are also entirely different. However, since this thesis have two levels of analysis (system and institutional) and that RDT and NPM have a greater focus on one of the levels combined they can provide a complete explanation for origin and elements of governance reforms in Europe in the past two decades.

2.2. Conceptual Framework

2.2.1. Defining Higher Education Governance

In the past decades the concept of governance has had an outstanding career within HE arena (as well in some other parts of public sectors) throughout Europe (Fried, 2006). In addition to traditional views on governance, some new concepts related to this terms were recently introduced, described and analyzed. Network governance (Gornitzka, 2007), multi-level, multi-actor governance (De Boer & File, 2009), European governance (Magalhaes, Veiga, Riberio, Sousa, & Santiago, 2013), global governance, economic governance, participatory governance, or governance as institutional management/steering (Fried, 2006) are just some of the examples. It is likely that as a consequence of all attention given to governance and new, emerging models, there is no widely accepted definition of what it means (Enders et al., 2006a). However, there can be additional reasons for this lack of unanimously accepted definition. One of them is the very nature of governance.

Governance, and especially HE governance is not a very clear, nor the very simple term. George Keller argues that governance is an ambiguous word (Keller, 2001, as cited in Middlehurst & Teixeira, 2012, p. 529) while Enders et al. (2006a) believe that it is "highly contested concept" (p. 12). Zgaga (2006) claims that it is also an old term. He traced the word and meaning of governance all the way to ancient Greece and Aristotle's book *Nicomachean Ethics* where it was used as a metaphor for directing the course at the sea (p. 35). Even today, governance has different meanings, especially in different contexts and levels of analysis. Thus, trying to define it is not an easy task, even though it may not seem so at the first glance. Reasoning behind this issue is very well described by Kohler (2006), who argues that when it comes to governance:

> …the term itself, or an equivalent, may not even exist in some languages, and so the entire concept seems strangely outlandish. The notion of higher education governance appears to be hard to understand. It is seen as being complex and abstract. Rightly so; and yet, as mentioned, it shows itself in very concrete forms and modes of cultures and techniques to be found with regard to autonomy and external stewardship, to internal leadership and steering, to communication and inclusion, to collectivism, stratification and individualism, be it in relation to political setup, administration, decision making, implementation, or monitoring of higher education institutions and their activities (p. 17)

Even though the concept of HE governance seems undefinable, a large number of HE researchers have tried to attach meaning to it. There is no single definition, widely accepted as official, which is a common phenomenon in social sciences and humanities. Few of available definitions will be presented and discussed in the following lines. The first one, quite often cited in the literature (Meek, 2003; Middlehurst & Teixeira, 2012; Reed, Meek, & Jones, 2002) is the Gallagher's (2001) definition: "*Governance* is the structure of relationships that bring about organizational coherence, authorize policies, plans and decisions, and account for their probity, responsiveness and cost-effectiveness."

This Gallagher's definition has both strong and weak points. The first positive element of Gallagher's definition is that it emphasizes the institutional level of governance, with the *structure of relationships* as the core of the concept (Middlehurst & Teixeira, 2012). Second, Gallagher is talking not only about how governance is related to decision making in one organization but also pointing out that decisions should be *responsive* and *cost-effective*. These are the qualities of what is known as a *good governance* (Fried, 2006). The final strength of this definition is that it highlight the differences between governance on one side and leadership, management and administration on the other. These terms are often confused (Kohler, 2006) and it is important to understand the difference between them. However, what may be missing in Gallagher's definition is the system-level perspective on HE governance, a vital aspect, especially for higher education sector.

The second definition, also often used by other authors (Austin, 2009; Middlehurst & Teixeira, 2012; Reed et al., 2002), is developed by Marginson and Considine (2000). They claim that:

> University governance…is concerned with the determination of values inside universities, their systems of decision making and resource allocation, their mission and purposes, the patterns of authority and hierarchy, and the relationship of universities as institutions to the different academic worlds within and the worlds of government, business and community without (p. 7)

Compared to Gallagher's definition, Marginson and Considine take into account system level dimension of governance. Two more things should be highlighted at this point. The first one is that Marginson and Considine (2000) also talk about other, so-called external stakeholders who have an influence on today's HE governance: "the world of business and community" (p. 7). Together with university staff and policy makers, they create what is known as multi-actor multi-level governance (De Boer & File, 2009; Enders et al., 2006a). Second, they also highlighted that governance does not represent only formal processes inside the university, but also its core values. For example, United Kingdom has *The Higher Education Code of Governance*, stating that governance structures and norms should also take into account core values of universities such as autonomy, academic freedom, equality of opportunity, and full and transparent accountability (Committee of University Chairs, 2014). On the other hand, this definition does not make a distinction between the formal rules on one hand and those more informal lines of authority, and it represents its main weakness.

Definition of governance which will be used in this research is the one developed by Eurydice (2008) stating that:

> In the context of higher education, governance refers to the formal and informal exercise of authority under laws, policies, and rules that articulate the rights and responsibilities of various actors, including the rules by which they interact. In other words, governance encompasses the framework in which an institution pursues its goals, objectives and policies in a coherent and coordinated manner to answer the questions: Who is in charge, and what are the sources of legitimacy for executive decision-making by different actors? (p. 12).

This definition is also used in other studies (De Boer & File, 2009; Enders et al., 2006a; OECD, 2008) and it has all the necessary elements. It emphasizes the laws, policies and rules (both formal and informal) by which different players interact, and it can be applied to both system-level and institutional setting. As such, this definition is the most suitable for this thesis.

2.2.2. Internal and External Higher Education Governance

Further two concepts have to be defined at this point. Since this thesis has two levels of analysis: external (or system-level) and internal (or institutional level), it is important to discuss what internal and external governance means. As Reed et al. (2002) mentioned: "What we

mean by governance in higher education often depends on the level of analysis: e.g. national, local, institutional, sub-unit or discipline level" (p. 24). Their study has four levels of analysis while this thesis has only two. National and local levels in Reed, Meek, and Jones study can be combined here and named external governance while institutional, and subunits level can be named internal governance. Other studies are also using external and internal governance as two major level of analysis (De Boer & File, 2009; Zgaga, 2006) and this thesis will follow the same path. External governance will be defined at the first place, followed by internal governance.

External (or system) governance, according to Amaral, Jones, and Karseth (2002) consist of a set of interactions, structures and different regulatory mechanisms above the institutional level (p. 279). A central topic in system-level governance is the nature of the relationship between the state and the HEIs institutions (Austin, 2009; Maassen & Jungblut, 2014; Maassen, 2003). As Clark (1983) pointed out, the nature of this relationship will depend on the position of HEIs in the so-called Clark's triangle. The main question here is how HEI position itself between academic oligarchy, state authority, and market forces. If the HE system consists of different types of HE institutions, sometimes it can even have different regulatory arrangements and mechanisms for different parts of the system, trying to connect these elements (Reed et al., 2002). On the other hand, internal (or institutional) governance is concerned with lines of authorities within HE institutions (Krug, 2011). Birnbaum (1988) proposed five different models of internal HEI organization: (1) bureaucratic; (2) collegial; (3) political; and (4) cybernetic model. These models are ideal types (universities internal structures are usually a mixture of these models), and they reflect the different aspects of internal governance arrangements within HEIs.

For the purpose of this research, we will apply definitions of external and internal HE governance provided by De Boer and File (2009). These definitions are suitable because they not only define both external and internal governance but also try to provide some practical explanations for both terms. According to these authors:

> …internal governance refers to the institutional arrangements within universities (e.g., lines of authority, decision- making processes, financing, and staffing) whereas external governance refers to the institutional arrangements on the macro- or system-level (e.g., laws and decrees, funding arrangements, evaluations). (p. 10)

2.2.3. Other Relevant Concepts

Beside governance, there are also other concepts that can seem similar or even confused with governance in HE (Kohler, 2006). Firstly, three concepts related to HE governance are *leadership*, *management,* and *administration*. Gallagher's definition includes the distinction between HE governance and these terms. According to him:

> *Leadership* is seeing opportunities and setting strategic directions, and investing in and drawing on people's capabilities to develop organizational purposes and values; *management* is achieving intended outcomes through the allocation of responsibilities

and resources, and monitoring their efficiency and effectiveness; and finally *Administration* is the implementation of authorized procedures and the application of systems to achieve agreed results (Gallagher, 2001).

Second, since much of the governance reform in Europe were related to changes in autonomy (more about this in the following sub-chapter), a distinction has to be made between institutional and academic autonomy. In this respect, Fried (2006) argues that "Universities everywhere have not been exempt from this development. At the heart of the governance, debate is the notion of autonomy and academic freedom" (p. 84). Without going into many details, for the purpose of this thesis, UNESCO (1997) definitions of institutional autonomy and academic freedom will be applied. According to this organization, *institutional autonomy* is:

> …that degree of self-governance necessary for effective decision-making by institutions of higher education regarding their academic work, standards, management and related activities consistent with systems of public accountability, especially in respect of funding provided by the state, and respect for academic freedom and human rights.

On the other hand, UNESCO (1997) argue that academic freedom guarantee that:

> …all teaching-education personnel should enjoy freedom of thought, conscience, religion, expression, assembly and association as well as the right of liberty and security of the person and liberty of movement. They should not be hindered or impeded in exercising their civil rights as citizens, including the rights to contribute to social change through freely expressing their opinion of state policies and of policies affecting higher education. They should not suffer any penalties simply because of the exercise of such rights.

In this thesis emphasize will be on institutional autonomy, since most of the governance changes happened in this area. For that purpose, four main types of institutional autonomy will be applied, and thesis will look into all of them in the case studies (Chapter 5 and 6). These four types of institutional autonomy are defined in Estermann and Nokkala (2009) report:

(1) *Organizational autonomy* is about structures and institutional governance within HEIs. It deals in particular with the ability of HEIs to establish structures and governing bodies, choose university leadership and to decide who is accountable to whom;

(2) *Financial autonomy* deals with the different forms of acquisition and allocation of funds, HEIs ability to charge tuition fees, to accumulate a surplus, to borrow and raise money from different sources, and to own land and buildings. It is also concerned with reporting procedures which are one of the main accountability tools nowadays;

(3) *Staffing autonomy* is about HEIs capacity to recruit staff, their responsibility for terms of employment such as salaries and issues relating to employment contracts such as civil servant status;

(4) *Academic autonomy* deals with HEIs capacity to define the academic profile, to introduce or terminate degree programs, to define the structure and content of degree programs, roles, and responsibilities concerning the quality assurance of programs and degrees and the extent of control over student admissions. (Estermann & Nokkala, 2009, p. 7).

Finally, HE funding was beside autonomy, most important element of HE governance reforms in Europe. In fact, Jongbloed (2008) claims that governance and financing are two sides of the same coin. Funding is the main instrument available for governments who wants to steer and change HE or as Vught (1993) pointed out: "it is the golden rule of policy. Who pays the piper calls the tune." (p. 29). What is meant by HE funding in this thesis:

…is more than merely a mechanism to allocate financial resources to universities and students. It is part of the set of tools and other governance instruments that enforce common goals set for higher education (e.g. access, efficiency), set incentives for certain behavior (e.g. competitive research grants), and attempt to maximize the desired output with limited resources (Jongbloed, 2008, p. 5).

EUA report (Estermann et al., 2013) defined all other specific elements of HE funding: additional income/funding streams, block grants, co-funding, competitive funding, full costing, funding formulas, income diversification, indirect costs, philanthropic funding, project-based funding, student financial contributions and targeted funding. However, this thesis will not go into details when it comes to funding of HE, but it will rather mark some general trends.

2.3. Operational Framework

2.3.1. Multi-Faceted Model of Organizational Change

Austin (2009) developed a *multi-faceted model of organizational change* to understand governance restructuring at the University of West Indies. This model has two main parts. The first part Austin partly borrowed from the study done by Van de Ven and Huber (1990). They argued that studies of change in organizations usually pose two main question: "what are the antecedents or consequences of changes in organizational forms or administrative practices? Moreover, how does an organizational change emerge, develop, grow or terminate over time?" (Van de Ven & Huber, 1990, p. 213). However, Austin realized that one more element was missing – the content of change. In that sense, he created three dimensions of governance restructuring: "antecedents, content, and process of the restructuring of governance" (Austin, 2009, p. 11) trying to answer three main questions – why, what and how is HE governance restructured. In the thesis, this part of the model was adopted unchanged.

The second part of the Austin's model is related directly to governance in HE. Austin argues that internal governance structures are changing as a respond to external changes in the environment (an essential element of RDT). In that sense, it is important to address the role of the state and other external stakeholders together with their influence on internal stakeholders. Austin's main focus was on external and internal stakeholders in HE governance (Austin, 2009). This thesis will be dealing with external and internal stakeholders and their roles, but it

will also try to holistically capture other relevant aspects of governance restructuring (creation of new legal frameworks, new bodies inside and outside HEIs, and the role of autonomy and funding). For that reason, *external and internal stakeholder's* elements of the model are replaced by *external and internal HE governance*. The new, slightly changed model is presented in Table 1 while the original Austin's model can be found in Appendix A.

	"Why" of the Higher Education Governance Reforms	"What" of the Higher Education Governance Reforms	"How" of the Higher Education Governance Reforms
External Higher Education Governance	Why should HE governance be reformed in Serbia?	What is the content of HE governance reforms in Serbia?	How can Serbian policy makers use the experience of EU case study countries for the implementation of the HE governance reform?
Internal Higher Education Governance			

Table 1: A multi-faceted model of organizational change, adopted by Austin (2009)

2.3.2. Governance Equalizer

The second part of the operational framework is the *governance equalizer tool*, adopted by De Boer et al. (2007). "An equalizer is an electronic device that allows attenuation or emphasis of selected frequencies in an audio spectrum. It can be used to alter the relative balance of frequencies to produce desired tonal characteristics in sounds. This model combines governance perspective with NPM" (De Boer et al., 2007, pp. 137-139). In that sense, it may be useful for comparing governance change in five EU case studies, by using NPM as a benchmark. NPM will not be presented here as an ideal model or something that should be widely accepted as a good HE governance. However, its premises about proper governance settings can be useful for looking at the direction of governance reforms towards or in the opposite direction of NMP desired levels.

The first chapter and different definitions of governance in the second chapter showed that this is a complex term, trying to cover a broad range of processes, relationships, and institutional frameworks. In that sense, governance can be divided into a certain number of dimensions. These dimensions can be observed independently or in combination with other aspects, thus creating a specific HE governance situation in every country (the same way as equalizer combines different frequencies to produce certain sound). There are five main HE governance dimensions in this study. The first one is *state regulation*. It explains the relationship between the state and HEIs and tries to measure how much state regulates HE by

imposing rules through legislation and other directives. Second governance dimension is *external guidance*. It deals with those external stakeholders' activities aiming to direct the university actions and development. External stakeholders can be state authorities, but also members of industry, business sector, culture and society in general. Then, there is *academic self-governance* as a next dimension. It describes the level of decision-making power of collegial bodies within universities, which usually represent interests of university academic and non-academics staff and students. The fourth dimension is *managerial self-governance* and it refers to decision making power of university managers and leadership (such as rectors or deans). Finally, there is a *competition*. This fifth dimension deals with competition between HEIs for funding, staff, students and prestige on the HE markets. This five dimensional governance model is described in many studies (De Boer et al., 2007, pp. 138-139; Enders, de Boer, & Leisyte, 2008; Moscati, 2012) and this thesis will use this model unchanged.

According to NPM doctrine, above mentioned governance dimension should have a certain position in the governance equalizer. In that sense, state regulation and academic self-governance are supposed to be low while all the other three dimensions should be presented high in the equalizer. De Boer et al. (2007) argues that according to NPM state should distance itself from HE, and should be concerned only with goal setting. Competition on the market and private sector manager-techniques will increase the efficiency and effectiveness of HEIs. Academics should stick to teaching and research, and not be too much worried about institutional management. Finally, (external) stakeholder involvement should help in creating long-term competitive university strategy (Boer et al., 2007; Moscati, 2012).

This thesis will combine both elements of the operational framework. First, it will summarize the changes in five EU case studies by using five governance dimensions and finally present them graphically by using governance equalizer tool. Two points in time will be used into consideration in equalizer: the time before the reforms (for most of the countries in is period starting from the 1980s up until the beginning of 2000s) and current situation. The starting position for Germany, Austria and Netherlands will be borrowed from De Boer et al. (2007) while Slovenian starting position will be borrowed from Galevski and Mihut (2013). Finally, starting position for Finland will be decided by analyzing relevant literature and using governance equalizer created for University of Lapland in Barzelis, Mejere, & Diana Saparniene (2012) study. Also, one equalizer will be dedicated to ideal position of governance dimensions in NPM. This way, changes in five EU case studies can be compared with the current situation and ideal position advocated by NPM. Thesis will then use the multi-faceted model of organizational change to analyze reasons, content and strategies for external and internal HE governance reform in Serbia.

Chapter 3: Research Methods

This chapter of the thesis deals with questions of research strategy, data collection, and data analysis. It will first explain multiple case study research strategy (chosen for the purpose of this thesis) and the reasons why it was selected. The chapter will then look at data collection method (semi-structured interviews) and how the entire process was done. Finally, data analysis process will be explained.

3.1. Research Strategy

Research strategy chosen for the purpose of this thesis is *multiple case study.* According to Creswell (2009) case study is:

> …a strategy of inquiry in which the researcher explores in depth a program, event, activity, process or one or more individuals. Cases are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time. (p. 13).

There are three main types of case study research strategies: *explanatory* (trying to explain why something happens), *descriptive* (producing a full description of a phenomenon, without explain why it happens) and *exploratory* (trying to determine hypothesis or research questions for future studies) (Biggam, 2012). Taking into account that this thesis is trying to both describe and explain HE governance changes (as described in Operational Framework), the combination of explanatory and descriptive case study strategies will be used.

To understand why this particular strategy was chosen, it is necessary to look back at overall research aim and individual research objectives in this thesis. The overall research aim of this research is to explore possible options for HE governance reform in Serbia, based on recent reforms in EU countries. Individual research objectives 3 (*Explore different stakeholders views on current HE governance arrangements and possible future reforms in the EU case studies and Serbia*) is also relevant at this point. To achieve both overall research aim and individual research objectives, the thesis has first to lock at a certain number of EU countries and describe and explain their reform processes. Time restriction does not allow pan-European research, and for that reason, only five countries are selected as case studies – Austria, Finland, Germany (NRW), the Netherlands, and Slovenia.

These countries are selected for three main reasons. First, each of them followed a slightly different path through the HE governance reforms. In that sense, thesis objective was to look at as a diverse number of countries regarding reforms as possible. Austria was chosen as an example of a state which started quite late with the reforms, but on the other hand, it went much further with governance changes than some other countries. Also, it had a very strong opposition to Bologna reforms (Pechar, 2012), which is, as it will be seen in the next chapter, somehow similar to Serbian case. Finland represents the different example, where Bologna opposition was not as strong. Also, Finland implemented reforms in recent years following main NPM principles (Salminen, 2003). Germany (North-Rhine Westphalia) was chosen

because here NPM reforms were not as accepted as some other cases and in that sense it is a bit different than Finland (Boer et al., 2007). Slovenia had a similar system as Serbia (since both countries have roots in Yugoslavian HE system) but it introduced more changes than Serbia in recent years (Zgaga et al., 2013). For that reason, it would be interesting to explore how Slovenia did that. Finally, the Netherlands was chosen because it started with reforms earlier than others and it went maybe the furthest amount selected cases. In that sense, The Netherlands is as Enders, De Boer, and Weyer (2013) rightfully claimed: "a continental European front runner of reform in this (higher education) sector" (p. 7).

The second reason for selecting these countries is the fact that all of them belong to the so-called continental (or Humboldtian) higher education systems. That is also the case with Serbia; it is assumed that all of the case studies countries embarked on reforms path from the similar starting positions (in the 1980s). Starting position for Serbia is similar as in selected case studies few decades ago because there were only some minor changes in the system since that time. This is also the reason why none of the countries with a so-called Anglo-Saxon model of HE is selected as a case study. If for example, United Kingdom was chosen, it would mean that the starting positions are not the same for this country, Serbia, and other case studies.

Finally, the third, and maybe the most important justification for choosing multiple case study research strategy is "to explore some contemporary issue in depth" (Biggam, 2012, p. 119) – in this case, HE governance. Without an in-depth understanding of reforms in EU countries and contemporary situation in Serbian HE, the thesis would not be able to provide meaningful recommendations for Serbian policymakers. On the other hand, even the selection of five case studies may seem overambitious regarding getting in-depth knowledge about each case studies. The thesis will aim to overcome this problem by dedicating enough (and similar) amount of time to research each case.

3.2. Data Collection

Firstly, it is important to emphasize that data collection was done by using a combination of *convenience* and *stakeholder sampling*. The *convenience sampling* means that, as the name suggests, it was convenient for the researcher to collect data in a certain way. In reality, it includes, for example, interviewing colleagues from work or people author already know (Biggam, 2012). This sampling was used for data collection in EU case studies. There are two main reasons for choosing this sampling technique. First one is a time restriction for the production of the thesis and easier access to research subjects. The second one is that for the purpose of the thesis, experts in the field of HE governance were needed to provide their opinion on the reforms in EU case studies. There was already much research done and in that sense, experts from each country are selected to confirm findings from the literature based on their interest in the topic and previous research experience (for instance their research on the subject, consulting activities and of course knowledge about HE governance in selected country).

Second, *stakeholder sampling* means: "identifying who the major stakeholder are, who are involved in designing, giving receiving or administrating the program or service, and who might otherwise be affected by it" (Palys, 2008, p. 697). Stakeholder sampling was used for data collection in Serbia, where the main actors from the government, public and private universities, students, EU representative body, expert organizations and individuals were interviewed. In many cases research subjects could be placed in at least into two of these categories - for instance, in expert and government official category. To ensure anonymity of the research subjects, interviewee's names and names of their institutions are not displayed. However, their role (for example dean, rector, HE expert) and type of institution they are coming from (public university, the ministry of education) are available.

For each EU case study, contacted stakeholders are: (1) in Austria one expert/public university professor; (2) in Finland one expert/public university professor; (3) in Germany one expert/professor at the university of applied sciences; (4) in Slovenia one expert/public university professor/former government official; and (5) in the Netherlands one expert/public university professor. Overall, five persons (with multiple roles), one for each case study. One the other hand, from Serbia, seven stakeholders were identified: (1) one former public university professor/former government official/expert; (2) one dean/expert from public university; (3) one rector of private university/expert; (4) one official in EU contact point in Serbia/expert; (5) one head of expert organization; (6) one doctoral student/expert; and (7) one former student representative/expert.

All the interviewees received an email from the author, providing information on researcher name and current position, MARIHE program, research topic, expected length of an interview and possible dates for interview. Also, the author informed interviewees that their identities and identities of their institutions would be held anonymous. Each email contained two attachments: interview questions (adapted for each case study) and confidentiality agreement. It was left up to the interviewees to decide whether they want to sign this agreement or not. Eventually, only five interviews took a chance to sing confidentially agreement. Twelve out thirteen contacted interviewees responded positively and agreed to talk.

All interviews lasted between 40 and 90 minutes. Out of twelve interviews, ten were done via Skype, and two were done in person. All interviews were in semi-structured format, divided into four main themes: external HE governance, internal HE governance, NPM influence on reforms and HE funding. In Appendix B interview questioner is provided. According to Cohen and Crabtree (2006) characteristics of semi-structured interviews are as follows: (1) the interviewer and respondents engage in a formal interview; (2) the interviewer develops and uses an 'interview guide.' This is a list of questions and topics that need to be covered during the conversation, usually in a particular order; and (3) the interviewer follows the guide, but is able to follow topical trajectories in the conversation that may stray from the handbook when he or she feels this is appropriate (p. 1). In that sense, the semi-structured format was selected because it is flexible enough to allow interviews to discuss for them the most important aspect of the question, but on the other hand to prevent them from changing

the subject and talking about irrelevant issues for the topic. The purpose of conducting interviews was threefold: (1) to confirm findings in HE governance in the literature; (2) to collect experts opinions on current governance arrangements in EU and Serbia; and (3) to explore interviewees position on the possibilities for the future reforms in HE governance and how it should be operationalized. Besides interviews, additional data was collected through review of relevant literature and official documents to ensure the triangulation of data (legislation, projects recommendations and reports, government strategies).

3.3. Data Analysis

All the interviews were recorded by using a mobile phone and later transcribed. The transcribed raw data were then coded in the NVivo program by using the *thematic coding technique*. Thematic coding, according to Better Evaluation (2016):

> …is a form of qualitative analysis which involves recording or identifying passages of text or images that are linked by a common theme or idea allowing you to index the text into categories and therefore establish a framework of thematic ideas about it.

As it was already mentioned, all the interviews were divided into four themes: external and internal HE governance, NPM influence on reforms and finally a funding system of HE in the particular case study. Division into themes was there to help the interview process and to assist in the data analysis. In practice, it means that each topic can be analyzed separately. However, it is important to notice that themes are not entirely independent from each other's. In fact, they are interrelated and once the once the interview data from one theme is analyzed, it is compared with other themes. Also, interview findings are compared with data gathered trough literature review process. Biggam (2012) described the complete qualitative data analysis process. It involves collecting the data, describing it and finally interpreting the data (analyzing) (Biggam, 2012, p. 162). Applied to this thesis, it means that data is collected by using semi-structured interviews. Then data is then described and grouped around themes mentioned above. Finally, data analysis process took place, where findings from different themes are cross-referenced with other themes and findings from the literature review. In that way, as Biggam (2012) mentioned, this will: "help produce a more meaningful analysis of your empirical data" (p. 165).

Chapter 4: Findings: Description, Analysis, and Synthesis

The major aim of this chapter is to achieve third individual research objective - *Explore different stakeholder's views on current HE governance arrangements and possible future reforms in the EU case studies and Serbia*. It will do so through the process of data description and analysis, gathered through interviews, document analysis, and previous research. The synthesis of data will follow, by comparing collected data and findings from the literature review. Each of the five case studies has three parts. Firstly, the introduction will describe the HE system in the respective country by looking at types of HEIs and their numbers, most important legislation which regulate HE, and the most important state organs responsible for HE. In the second part, external and internal governance changes in the five EU case studies will be examined. Finally, in the third part, a summary of reforms will be presented by using governance equalizer tool.

4.1. Case Study I: Austria

4.1.1. Introduction

Austrian HE system is composed of four type of HEIs: public universities (22), universities of applied sciences (UASs) or *Fachhochschulen* (21); private universities (13) and university colleges of teacher education (UCOTE - 17). The public universities are the largest HE sector with the highest number of institutions and students (The Center of Excellence, 2015). There are several important legal acts regulating HE in Austria: (1) Universities Act from 2002 (effective since 2004, and amended in 2009) regulates public universities; (2) University of Applied Sciences Studies Act from 1993 regulating UASs; (3) Private Universities Act from 2012 regulates private universities; and (4) The Teacher Education Act from 2005 deals with UCOTE. Also, (5) The Act on Quality Assurance in Higher Education from 2011 regulates the system of quality assurance and accreditation (The European Education Directory, 2016a). Finally, the most important state organs administering HE according to Wadsack and Kasparovsky (2015) are: (1) Federal Ministry of Science, Research and Economy (in the further text Ministry); (2) Federal Ministry of Education and Women's Affairs (responsible for UCOTE); (3) Science Council (providing advice for the Ministry), and (4) The Agency for Quality Assurance and Accreditation in Higher Education (central organ for private universities).

4.1.2. External Governance

The first major HE reform in Austrian HE in recent decades happened in 1993 with the adoption of a new Law – University Organization Act. This reform happened as a result of two type of pressures. The first one is the crisis of welfare state, originating from the beginning of 1980s. With increased complexity of the HE system and higher number of students, Austrian government was not able to adequately manage the entire HE sector at that time. The second important factor was the crisis of public funding. Since the government had to consolidate its finances due to economic hardships, it was forced to reduce spending for HE. As a result, the relationship between government and HE worsened (Pechar, 2003). At the same time,

academics started to ask for more autonomy and even created their own proposal for university reform. Expert from Austria explained the situation as follows:

> *If we look at the situation with the first Act from 1993, it was paradoxical. The Act came at the time when academic community pressed for more autonomy for already some time – a few years. There was a positioning report prepared by (some org) – they* {academics} *made a draft of what they wanted to have as the content of the HE reform* (Int. No. 1; 1.4.2016).

Austrian coalition government (composed of social-democrats and conservatives) came with a proposal and took into account most of the demands from academics:

> *It was* {reform proposal by the government} *90% the same, but now academics were against the government proposal. There was an outcry against this reform. Even the people who drafted this earlier report - they all opposed the reform. The basic point was that 1980s and 1990s were full of discussions about more autonomy. What professors meant by this was academic freedom - that government should leave them alone and give more money. What Ministry was saying was that they would give more institutional autonomy. There was a lengthy discussion, and the result was a compromise* (Int. No. 1; 1.4.2016).

Reform in 1993 introduced some novelties in the HE system such as the creation of non-university sector (*Fachhochschulen*), increased institutional autonomy, and stronger position of university managers, especially rectors. UASs Act was adopted in 1993, and these new HEIs were created to be much more in line with managerialism. On the other hand, public university reform was also in line with NPM ideas (De Boer, Jongbloed, Enders, & File, 2010a). However, the major thing lacking was the better funding scheme. Ministry decided not to give full financial autonomy for universities because their leadership was not strong enough at that time, and as it was described in the literature review, NPM requires strong, responsible institutional leadership, capable of maneuvering and decision making. Austrian expert proved this by saying the following:

> *Already in the early 1990s the Ministry wanted to give full financial autonomy to the universities, and to introduce lump-sum instead of line-item budgeting on the condition that there is a strong leadership which can be accountable for this. There was a new position of the rectors who had many responsibilities, but who were constrained in their actions. I sad that this is not going to last – to give them so many responsibilities, but to constrain them and say you do not have room for maneuver. These new rectors were the main forces in the second wave of reforms. This changed the balance of power in favor of the Ministry and those who wanted NPM reform* (Int. No. 1; 1.4.2016).

The effects of 1993 reform lasted for less than a decade. At the begging of a new millennium, universities were not separate legal entities (they were still state agencies). University leaders received more responsibilities, but they were constrained in their actions because of the still weak funding autonomy (Pechar, 2005). Second HE reforms happened in

2002 when the new government composed of conservatives and one right wing party decided to take much bolder steps in the reform of the public sector. Instead of compromising with different stakeholders, state authorities took more radical steps and forced the reforms in a short period of time. New University Act from 2002 (University Organisation and Studies Act, 2002) was passed rather quickly, and its implementation started in 2004 (it was later amended in 2009).

Regarding external governance and relationship with the state, University Act from 2002 made two important changes. First, it proclaimed that: "The universities are separate legal entities under public law" (University Organisation and Studies Act, 2002, §4). This legal provision meant that universities are not state agencies anymore (Sporn, 2002), and it was a major step towards the reduction of direct state control of the HE sector. The second significant change was the introduction of lump-sum budgeting together with performance indicators. Less flexible line-item budgeting was abandoned, and universities now get 20% of the funding from the state based on performance indicators. Performance contracts are renewed every three years (the first cycle stated in 2007 and ended in 2009). On the other hand, UASs are funded based on number of students and this sum is stable. However, they also receive funding from their owners. In sum, new legal status for universities, the creation of UASs sector based on NPM doctrine and new funding system allowed university and UASs have much more space for maneuver, and it represented partial state retreat from the HE sector.

Another important aspect of change happened in the area of institutional autonomy of HEIs. It increased significantly since the 1980s. The 1993 HE reform brought some change to the HE sector, but the overall level of autonomy remained low (Enders et al., 2006c). However, after the reform in 2002, the situation shifted, and institutional autonomy increased. First, organizational autonomy was strengthened. Universities in Austria were allowed to determine their internal academic structure; to have external members in their governing bodies, and university leadership is reinforced with CEO-type of the rector. Second, financial autonomy increased the most. Line-item budgeting is replaced by lump-sum, and universities are granted the right to build up reserves, and borrow and raise money on capital markets. Then, when it comes to staffing autonomy, it increased moderately. The most important change happened with abandonment of civil servant status for university staff. According to new University Act universities now employ their own staff and have the freedom to determine salary costs. Finally, when it comes to academic autonomy, it is still rather low in Austria (Enders et al., 2006a; Estermann & Nokkala, 2009). The main reason for this is the Open Access System. It forces public universities to accept all students who have university entrance qualification. This is not the case with UASs because these HEIs can set student quotas. According to interviewee from Austria (Int. No. 1; 1.4.2016), such system creates problems in terms of HE governance:

> *The key issue (it is not my opinion, but opinion of all the rectors) is admission of students. This is the major component of the budget. It is cynical to say that you have autonomy, but you cannot touch the most important driver of your costs and most*

important component of the budget. There is no easy way to deal with that. I am a bit pessimistic; this will not change in the future years because this is a political issue.

One additional characteristic of the Austrian HE system is that in recent years is that Supreme Court had to decide on a number of issues related to university autonomy. In one case:

…the former minister wanted to introduce tuition fees…moreover, he suggested that it is in the autonomy of the universities, up to rectors to decide if this can be done. However, Supreme Court said that this is not the case. On the other hand, one university sued the government because it calculated the budget based on an assumption that university will have, for example, 4000 students that year. However, it had 6000, and the government did not allow the university to restrict the number of students nor did it provided more money. In that respect, Supreme Court says that university complained is justified (Int. No. 1; 1.4.2016).

Finally, EU and its European Higher Education Area (EHEA), Lisbon Strategy, but also pan-European processes like Bologna, had impact on HE governance in Austria. According to Pechar (2012), there was huge opposition to Bologna reforms in German-speaking countries. Even though the problem is complex and has many layers, the main issue seems to be related to the perception that in the system of Bologna universities are only there to prepare students for the labor market. This idea is in opposition to the Humboldtian values of HE (Moscati, 2012). Nevertheless, Bologna reform was successfully implemented in Austria, and new legal framework was adopted for that purpose. This is also proven by Austrian expert who claims that: "*If you look at EU in general as well as Germany-speaking countries, there is a strong resistance to Bologna from both the students and academics for mainly irrational reasons. Bologna is here to stay*" (Int. No. 1; 1.4.2016).

The other issue is related to mobility of students inside EHEA and Austrian Open Access Policy. According to EHEA rules, its member countries have to treat international students from other EHEA member states as their own. However, it seems that this can create certain problems for countries with Open Access Policy. For example:

Another issue with this EHEA is the freedom of movement and I think that Austrian government is on the right side. I think this is a bad policy. On one hand, HE is funded by member states, but member states cannot control the movement of international students. They have to give all rights to international students as they give to their national citizens. This is a very problematic issue, especially for those countries which have the common language with the much bigger neighboring country - like Austria and Germany or Belgium and France. It is also like that with Slovakia and Czech Republic (Int. No. 1; 1.4.2016).

When Austria introduced a quota system for some disciplines like medicine, further problems occurred. According to Interviewee No. 1, EU wanted to sue Austria because of the introduction of quotas. However, as a compromise: "*…Austria now has to prove that its*

medical system would be in danger if the country give up the quota system. However, if quota system is by any chance abandoned, the majority of students in medical universities will be Germans (Int. No. 1; 1.4.2016).

4.1.3. Internal Governance

If substantial changes happened in the field of external governance, internal structures of universities in Austria changed even more compared to 1980s and 1990s. Decision-making power in public universities shifted towards managerial bodies slightly after 1993 reform, and much more after 2002 and 2009 Law changes. In 1993 position of rectors was strengthened. However, due to still low financial autonomy, this change was not visible. The first draft of 2002 Law was criticized and rejected by the majority of rectos and academics. However, when the government changed, and new coalition took power in the country, it decided to have a different reform style, marked by fast decisions and less negotiation with stakeholders from universities. The result was the adoption of new University Act in 2002.

University Act from 2002 introduced many changes in the internal governance structures of public universities. Firstly, it introduced University Council as a supervisory body (§21). Half of the University Council members are now elected by the University Senate, and the government appoints the other half. One final member is negotiated between Senate and the government (De Boer et al., 2010a). When it comes to Council responsibilities, it received very strong decision-making power. For instance, it selects University Rector, approves performance agreements between the university and the government, and also approves strategic and organizational plans (§21). Furthermore, the position of university rectors is strengthened. They became more CEO-like, with higher executive duties and the ability to employ and lay off university staff (§23). Rector together with Vice-Rectors makes Rectorat - the highest managing body and also the official representative of the university. It prepares university statue, development and organizational plan, draft performance agreements, appoints heads of organizational units and conclude target agreements with them (§22). Finally, there is a University Senate which lost some of its power to Rectorat and University Council. However, even though today's Senate is dealing mostly with academic matters, it is the last collegial body with some decision-making authority (§25). The relationship between University Council, Rector and the Senate is further clarified with 2009 amendments of University Act (Wadsack & Kasparovsky, 2015).

This new division of power in public universities is in line with NPM doctrine. The university leadership is now strengthened, and the government is able to provide higher financial autonomy for universities in the form of performance contracts and lump-sum budgeting. However, this system is criticized by the academics, due to loss of their decision-making power. Interviewee claimed that:

> *In my view, Senate is now a most conservative actor in HE policy. There are also some issues where ministry is much more progressive. For example, there is an issue of introduction of new career structures that goes into the direction of the tenure track*

system. This was very strongly opposed by the Senate. This has to do with system of habilitation. Senate is its gatekeeper. If they lose it, they will also lose the last source of power they have (Int. No. 1; 1.4.2016).

One of the arguments for strengthening university leadership is to provide them with the ability to make decisions faster and thus better respond to market and social needs. However, De Boer et al. (2007) claimed that competition is not so strong in the case of Austria, and this NPM argument cannot be applied. This is also proven by the Austrian interviewee (Int. No. 1; 1.4.2016):

This is paradoxical situation because there is not too much competition, there is not too much market pressure, so the whole rhetoric's that university management has to make quick decisions is simply not happening. I do not say that rectors do not have the hard job. They do, but the reason for this is because they have to maneuver in situations where the government set some parameters of policy which are not compatible with the roles of other governance structures. If you study the documents about the hot topics in HE policy you will see that 70% of all issues were issues of admissions and underfunding, since universities get too many students in some fields, and they are do not allowed to restrict the number, but they do not get additional budget.

On the other hand, UASs were called as "pioneers of managerialism" in Austria, and their internal structures were set from the very beginning to be in line with NPM. They have different legal status (private limited company), and they are under the private law. Also, their management is more businesslike, and local government officials are represented in governing boards of UASs (Pechar, 2003). UASs cannot be examined in detail because of the thesis length limitations, but the main point is that this new sector was much easier to build in line NPM recommendations than to change the existing public universities in the same direction.

4.1.4. Summary of Changes

- *State regulation*. This governance dimension decreased. By adopting the Law from 2002, the state transferred some of its responsibilities to the universities. Firstly, the most important change was introduced by granting universities the status of separate legal entities (they are no longer state agencies). Then, university autonomy increased in all aspects. By providing state funding in the form of lump-sum budgeting, financial autonomy increased. Also, universities are now free to hire their staff. However, as it was described in the previous section, open access policy reduces financial autonomy to a certain extent (since university budget depends on student numbers, and it varies each year). Also, by linking some of the funding with performance indicators, the state can indirectly control university actions. On the other hand, Ministry's role is supervision rather than direct control, which adds to lower direct interference.

- *External guidance*. There were two factors leading to increased external guidance. First, University Council as a new body has the supervisory role. It monitors the future development of universities, and it is composed of persons coming from outside of the academia. Since University Council deals with overall strategy, it means that external parties decide on

university development. As the second point, state remains the major stakeholder, with control over the public funding (still, most of the funding for universities comes from the state). Through performance agreements, state also influence the future decisions made by universities.

- *Academic Self-Governance*. Besides the state supervision, this is the only dimension which decreased. University Senate remained the only collegial body with some official influence on decision making. However, its power declined significantly with new reforms. All the other committees on the department level now have the advisory role, while the power shifted towards the deans.

- *Managerial Self-Governance*. Managerial self-governance increased. First, universities gained the right to employ (and fire) their staff. Second, the position of Rectorate (composed of Rector and Vice-rectors) and deans increased. Rectorate is dealing with the most important university documents, it represents the university and negotiates performance agreements with the Ministry. Also, deans gained similar responsibilities, just on the departmental level.

- *Competition:* Competition slightly increased. Private universities entered the scene at the beginning of the 2000s, but their influence regarding student numbers is still small compared to the public sector. On the other hand, competition between public universities and another HEIs is gaining importance, especially when it comes to UASs, which had increase in student numbers in recent years. Competition for state funding is not so developed.

4.2. Case Study II: Finland

4.2.1. Introduction

Finnish HE can be placed in the group of binary HE systems. It means that there are two types of HEIs in Finland: public universities (14) and Polytechnics/Universities of Applied Sciences (25). Both types of HEIs are public institutions, while private HE is not so developed. When it comes to the legal framework, two most important documents regulating HE in Finland are (1) the University Act from 2010 (dealing with universities) and (2) the Polytechnics Act from 2015 (dealing with UASs). Both University and Polytechnics Acts came into force recently and their adoption represent a new phase in HE reform. Finally, the most important state organs responsible for HE sector are: (1) Ministry of Education and Culture (the main responsible body, in the further text Ministry); (2) Finnish National Board of Education (works with Ministry on development of educational aims, content and methods); (3) The Finnish Education Evaluation Centre – FINEEC (responsible for evaluation of all levels of education) and (4) Academy of Finland (part of the Ministry responsible for funding of the research) (The European Education Directory, 2016b)

4.2.2. External Governance

The reform of Finnish HE began already during the 1980s, as part of the public sector restructuring. As well as in the case of Austria, the HE reform had as a background recession and economic problems as well as the crisis of the welfare state, which culminated in 1993.

That year the unemployment was high and GDP was decreasing rapidly. One consequence of that was shift in the state policy from the traditional welfare to more right-wing direction (Fägerlind & Strömqvist, 2004). HE education system was under pressure from the society in general, increased number of students and reduced public funding. At that time government decided to launch HE reform. The first reform step was introduction of a binary HE system, composed of universities and newly founded Polytechnics or UASs. The first Polytechnics began to operate as trial institutions in 1991/1992 and starting from 2000, all UASs have been operating on permanent basis (Melin et al., 2015). In the second step, new legislation was introduced. Firstly, new University Act was adopted in 1997 (Universities Act, 1997), and it introduced some major changes in the external HE governance. An expert from Finland (Int. No. 2, 15.4.2016) described the significance of the University Act from 1997 as follows:

> *The law in 1997 introduced significant changes in Finish HE. Before 1997, there was one law for each university, under the framework of one umbrella law. It {University Act} created the first steps towards more autonomous and responsive university, compared to the previous Humboldtian ivory tower university model. We had the large HE system back then. It was not an elite system anymore, and the way of operating was highly bureaucratic. The level of academic freedom was high. What law did was to define the university as the main level of analysis, not the academic fractions or professors. It was amended several times before we had a new Law starting from 2010.*

The main idea of University Act from 1997 was to increase efficiency of universities by providing higher freedom in decision making accompanied by increased responsibility for the results (Aarrevaara, 2012). This means that university autonomy increased, but the same happened with accountability. Furthermore, internal structures of the universities are strengthened by empowering University Senate, Vice-rectors, and Deans. Finally, with the gradual introduction of performance-based funding, accompanied by lump-sum model of financing, the entire system moved towards the model of evaluative state:

> *It already started to happen after passing 1997 Law...there was gradual transit to performance-based funding. This was related to the fact that state is more or less interested in the outputs rather than the inputs, or how the money is used. For the reporting purposes, performance-based funding created negotiation culture between the universities and the Ministry...They {universities} have to submit annually some reporting to the university the financial ministry statement, and automatic collection of performance data. This evaluative state, from the government to governance is pretty much what was happening in Finland after late 1990s until today. Much of this is this related to funding, which means that some issues which were previously stated in the legislation are now taken care by the funding model (Int. No. 2, 15.4.2016).*

These changes were in line with NPM. However, 1997 Law was step move in the long transformation process. It preserved the universities as state agencies and even though some freedom was granted, university autonomy remained low. During the 2000s, there were few amendments of the Act from 1997, each making additional reform steps. For example, one of

the first changes of the Law allowed election of external parties to the University Senate. Then, with 2004 and 2006 amendments, third mission was incorporated into universities activities. Finally, the Finnish government decided to adopt new University Act in 2009, which came into effect at the beginning of 2010 (UNIFI, 2011). At the preparatory stage and soon after adoption, different stakeholders had different views of this reform Act. The respondent from Finland explained the situation:

> *...students and staff members are far more critical* {about the Law} *than those in management position, either in the faculty or department level, but especially when you think about Rectorat. They are highest administrators of the university. Rectorat feels that the effects of the law have been positive. Then there is the Finnish government as the most important stakeholder. The reform was initiated by the government. There were some political differences, but in the end, during the Law preparation and later at the stage of passing the Law bigger parties agreed on principles and most important issues which will be changed. I need to make a distinction between political and administrative part of the government. What I was referring to is the political part. Our ministry and officials who are working there are quite talented. They have been quite progressive in term of getting new ideas, and they have very good success rate in implementation of the changes* (Int. No. 2, 15.4.2016).

Most of the changes introduced in 2010 were in line with what happenings in the other EU countries. University Act changed the HE system from direct state control to more evaluation and steering. First important novelty was that universities became separate legal entities (Vuorinen, 2013). Finland was rather late in this process compared to for example Austria, where universities became separate legal entities already in 2002. Nevertheless, this change finally happened, and today universities in Finland function either like corporations under public law or foundations under the Foundations Act (Ministry of Education and Culture, 2015). There were changes related to institutional autonomy as well. According to Estermann and Nokkala (2009) and De Boer et al. (2010b) Finnish universities' institutional autonomy increased with the adoption of Law in 1997, and it remained at medium/high levels (compared to some other EU countries) until 2009/10 when these reports were published. However, the University Act from 2010 increased university autonomy even more. Their reports also claim that financial autonomy increased the most. Funding formula is now performance based, and it relies more on indicators, such as number of graduates, number of credits acquired by students and research and development activities. University are allowed to borrow money on capital markets, but they still cannot introduce tuition fees (except for internationals students from outside the EU). State no longer guarantees university solvency and in that respect universities have additional responsibility. One final new of financial autonomy is the ability to create reserves. This proved to be quite useful in a way that in the times of financial crisis these reserves can be used, as it is the case in Finland at the moment:

> *Universities are able to make reserves, and now they are consuming them because of the budget cuts.* {One Finnish university} *is not terminating its employee contracts*

because it has financial reserves. But {the other Finnish university} *do not have these reserves and thus it has a massive problem because their funding from the state was decreased* {as a result of recent economic hardships} (Int. No. 2, 15.4.2016).

However, as a consequence of increased financial freedom, the accountability measures increased as well. It reduced interventional autonomy (the level of reporting that universities have to do). Performance agreements are now signed with the Ministry, and universities have to take into account Ministry's development plan when creating university strategy. Finnish Education Evaluation Center - FINECC audit the entire HE system (the first audit lasted from 2005 until 2012, and the new round will last until 2018). Finally, steering was enhanced by making external members in the university governing structures mandatory. Other levels of autonomy increased as well. For instance, organizational autonomy increased in a way that universities can freely decide their internal academic structures, and include external stakeholders in decision-making bodies (40% of University Board have to be external members) (Universities Act, 2009, §14). When it comes to staffing autonomy, universities are now employers of their staff and not the state. As a consequence, university employees lost the status of civil servants (which creates a feeling of job insecurity among some academics). Universities are also free to determine salary levels of their staff. Finally, the academic autonomy is slightly higher than in Austria, mostly because Finland does not have Open Access Policy. This means that university in Finland can choose their students and set quotas, which makes financial planning easier.

UASs, as second part of the HE sector are also under reconstruction. In 2003 Finland adopted Polytechnics Act, and in 2015 new Law regulating UASs came into force. It granted UASs independent legal status (all 24 of them are registered as non-profit limited companies), stronger leadership, better quality and focus (Polytechnics Act, 2014, §2 and §8-14). A new funding model was designed for this sector and starting from 2015, their core funding has been provided by the state (there are also some indicators as in the case of universities) and not by the local authorities. Since this reform happened just one year ago, it is still early to talk about its effects.

Policy makers in Finland used some of the tactics for managing the organization environment explained in RDT. One of these tactics are mergers. According to Melin et al. (2015): "Between 2009 and 2014, the number of higher education institutions (HEI) declined from 48 to 38 through mergers. The number of universities went down from 20 to 14 (with four new universities), while the number of UASs declined from 28 to 24. Finnish government plan was to have maximum 18 Polytechnics (this hasn't been achieved yet) and 15 universities (this is already achieved since there are only 14 universities)". The second RDT strategy which Finnish government aim to use is the creation of alliances between universities and UASs (Melin et al., 2015). The plan is to create four to five alliances between two HE sectors by 2020. The idea is to use the potential of both sectors for some new activities. However, it seems that legal barriers still exist, and recently initiatives are coming from the HEIs themselves.

The final element of reform is the influence of Europeanization processes on HE legal framework and governance structures. Recent research done by Moisio (2014) found out that the relationship between European Commission (EC) and member states is marked by interdependence, in a way that EU member states can supply EC with some ideas (later turned into EC recommendations) and then use those recommendations for justifying their domestic policies. Also, EU influence is sometimes seen as just one element in policy formation, or even completely irrelevant. When it comes to Finland, it has always followed what is happening on the EU level. Among Europeanization policies, the Bologna process had significant impact on HE system. Finnish respondent explained:

> *Finland has always looked what EU says, even more closely than other countries. This is not true only for HE but also for other levels of policy. Finnish government has been a good partner of EC. All the processes (Bologna process, Lisbon Strategy, EHEA) have been very influential on development of Finnish HE. Just to mention two issues. Two degree structure of courses (BA, MA) did not exist before Bologna as such. The second is quality assurance. It started in 2005/6 and it was partly related to Bologna process. This is in line with Bologna and still is a big issue in Finland. We had quality assurance agency but not the mandatory periodical quality audit for institutions. Bologna created that for Finland. And Lisbon strategy and whatever it says about innovation system and knowledge economy is always in our documents as well* (Int. No. 2, 15.4.2016).

4.2.3. Internal Governance

Concerning internal governance, both Law from 1997 and the new one from 2010 brought some changes into the system. University Act from 1997 introduced two important novelties. Firstly, the position of Rector was strengthened. According to the Universities Act (1997): "The Rector shall direct the activities of the university and deliberate and resolve matters relating to its general administration" (§13). Rector is elected by election collegium and he is the chairman of the University Board/Senate – the main executive body of the university. It was composed of the members of professors, staff and students. As the second change, the Act allowed the possibility for external members to be selected in the University Board (but no more than one third of the overall number of Board members). The Board's duties are to develop the university activities; to allocate resources; to create economic and other plans; and to adopt statements and other important regulations for the university (§2). Compared to the other countries where the Boards/Senates are losing their power, Finland decided to have a different model. Instead of creating another body (composed of external members) to supervise university activities (as it was done in Austria), University Act included external members in the Board, which kept its role as the main executive body of the university. This is a unique situation and one of the possible solutions for internal governance reconstruction.

In the following years, government adopted some amendments for the University Act from 1997. Regarding internal governance, with the 2004 amendment, selecting eternal

members to the university board became mandatory. Finally, new Universities Act (2009) made some additional rearrangements in the internal HE governance. It introduced more professional role for the university management. The composition and the role of university bodies were changed, as well as the selection procedure of the rector. University Board remained the main executive body of the university and its position was strengthened even more. Instead of having only four tasks prescribed in the law, now it has ten. Some of the new tasks of the University Board are (1) to be accountable for the management; (2) to arrange supervision of accounting; (3) to propose to the Ministry the different educational responsibility of the university; (4) to decide on the number of students; and finally (5) to elect the Rector (Universities Act, 2009, §17). The composition of the Board (7 or 9-14 members) is also changed in a way that now 40% of the members have to be external (to come from the outside of the university community) (§15).

Second important change was made in terms selection procedure and the role of the rector:

At that time (1997) Rector was the chairman of the Board. This is completely changed in the new legislation from 2010 where the Rector is the more CEO type of person who is more responsible and who has the ability to employ and lay off university staff. (Int. No. 2, 15.4.2016).

Chairperson of the Board is now elected among external members, and the Rector lost this function. However, Rector also gained some new responsibilities in a way that he/she now leads day-to-day operations of the university. For example, Rector has now much more responsibilities (in terms of efficiency and effectiveness of university actions, implementation of Board decisions and staffing matters). The Rector's election procedure also changed. Compared to Austria, where the rector is selected by the University Council (among the list of three candidates proposed by University Senate), Finland has a different model. Rector in Finland is now elected by the Board (not anymore by the broad election collegiate) (Universities Act, 2009, §15)

The final change made by new University Act is the introduction of a new organ – a Collegiate Body. The previous electoral collegiate bodies were replaced by university collegiate bodies. The new body has more limited functions compared to those of the previous electoral collegiate bodies. It has fifty members (again coming from professors, staff and students) and their role is to supervise the board and to represent the entire university community. Some of the Collegiate Body functions as stated in the Act are (1) to elect and dismiss Board members; (2) to decide on external members of the Board; (3) to choose university accountant; and (4) to confirm financial plan of the university (Universities Act, 2009, §22). The increased role of the University Board, and introduction of Collegiate Body represent the fact that self-government and academic decision-making have not been changed. In that respect, Finland is unique among other case studies in this thesis.

4.2.4. Summary of Changes

- *State regulation*. State regulation was high during the 1980s and throughout most of the 1990s. However, the introduction of the University Acts in 1997 and again in 2010 reduced state interfering although government still remains the main actor in HE policy (its role is now different but it is still a very important player). The entire HE system shifted towards the concept of evaluative state by increased institutional autonomy and funding reforms (performance-based budgeting and lump-sum). In addition, legal status of universities changed and they are no longer state agencies but separate legal entities.

- *External guidance*. External guidance also increased. The main reason is introduction of external stakeholders in the University Board. The 1997 Act allowed the possibility for selecting external stakeholders in the Board, while the amendments of the 1997 Act and new 2010 Act introduced obligatory representation of the external parties. The fact that chairman of the Board is also elected from the group of external stakeholders is also a sign of their increased importance. Finally, the state remained an important powerful stakeholder. By using legislation, accountability measures and new funding schemes, it is navigating HE sector towards common goals.

- *Academic self-governance*. Academic self-governance is still very high in Finland. Neither reform in 1997 nor the one in 2010 has not changed the academic self-governance and decision making. The University Board has representatives from all groups of the university and 2010 Act introduced a new university organ - Collegiate Body with a supervisory role. This body is composed solely of professors, staff and students, without any external stakeholders.

- *Managerial self-governance*. This governance dimension also increased mainly due to new roles and responsibilities given to the University Boards and Rectors. Rectors are now leading day-to-day operations of the university and they are accountable to the Board. Rectors are more CEO-like with the ability to employ and set loose the university staff. Finally, the Board is the professional decision making body with some new roles. With external members in their ranks, Boards can now answer better to demands from the environment.

- *Competition*. The competition increased. Even though private universities are not as developed as in some other European countries, public universities are competing among themselves and with UASs for best students, funding and staff. Also, competition on the international level foster domestic universities to improve their performance.

4.3. Case Study III: North Rhine-Westphalia (Germany)

4.3.1. Introduction

HE landscape of North Rhine-Westphalia (NRW) consists of six different types of HEIs: public universities (14), universities of applied Sciences (16), clerical universities (8), colleges of art and music (7), universities of administrative sciences (5) and private universities (4) (Krug, 2011). Most important legal document is the Higher Education Act from 2014. However, since this Higher Education Freedom Act from 2007 had huge impact on HE governance in

Germany, it will be also analyzed. Finally, the main body responsible for HE in NRW is the Ministry of Innovation, Science, and Research. Since Germany is a federal state, there are also some other organs on the federal level important for HE, such as: (1) Federal Ministry of Education and Research (the main actor on the federal level); (2) German Council of Science and Humanities (advisory body); (3) Standing Conference of Ministers of Education and Cultural Affairs (as intermediate body between state and federal levels); (4) Germans Rectors' Conference; (5) Accreditation Council and various accreditation agencies (De Boer et al., 2010a)

4.3.2. External Governance

The German Basic Law from 1949 regulates the relationship between the federal state and individual 16 federation units. According to this Act, there is a division of responsibilities between these two levels, and federal units are responsible for their own HE legislation (Basic Law, 1949). Only the Framework Act on Higher Education from 1999 prescribes some general rules and guidelines for all 16 states (Krug, 2011). However, each of the federal units have their own legislation as well. This does not mean that the federal government is excluded from the system. The Federal Ministry of Education and Research is an important stakeholder and it has influence on HE policy and funding, but the main responsibility for HE lies within the federal units.

The roots of HE governance reform in Germany can be traced all the way to 1992 when some federal states started to change their funding models and sign performance contracts with universities (De Boer et al., 2010a). That was the start of the so called shift from government to governance in Germany. The next stage of the transformation process started in 2000 with social-democratic party in power. In NRW, Law on HE was adopted in 2000, and one of the main characteristics of this Act was that it started to shift HE policy from direct state interference towards the system of accountability and indirect state controlling (Higher Education Act, 2000). However, this was just the beginning as the Law did not change the HE autonomy. This was the topic of the next, 2004 Law, especially in terms of staffing autonomy. Starting from 2004, universities gained responsibility to employ their own staff (Higher Education Act, 2004). Finally, in 2006, NRW Parliament introduced a new Law symbolically called The Higher Education Freedom Act (Higher Education Act, 2006). It was adopted by the conservative government and already from the title of the Law it was visible where the HE reforms was heading to. The new Act introduced many changes in HE system of NRW, and most of them were in line with previous reforms in 2000 and 2004. Expert from Germany argued that this was a gradual transition from one model to another:

> *What was interesting in Germany in general and in NRW is that these reforms, which are going in direction of more autonomy were taking place step by step. It was not one shot reform. It is always told that 2006 reform was the big one. To certain extent it was. But the path was already set before* (Int. No. 3, 7.4.2016).

However, even though the reform was done step by step, the 2006 Act brought some revolutionary changes. One of these novelties was the legal status of universities:

> The year under review saw the implementation of the most radical changes our university has experienced in its 35-year history: the University Act of 2006 (euphemistically entitled by politicians the 'University Freedom Act') decoupled all North Rhine-Westphalian (NRW) universities from state administrative structures and effectively outsourced them as independent bodies under public law (University of Wuppertal, 2007, p. 5)

By becoming separate legal entities, universities were separated from the state administration. NRW government decided to control HE system indirectly. As a result, institutional autonomy increased, but on the other hand the same applied to accountability which took form of contract management, reporting and performance agreements. The other changes happened in the field of university funding. NRW introduced the model of lump-sum budgeting (Higher Education Act, 2006, § 81) and increased performance-based part of the university funding (to 20% of the total sum). Finally, university autonomy increased and among different autonomy dimensions, funding autonomy increased the most. Universities were allowed to charge tuition fees and the maximum amount was 500 euros. They were also allowed to keep the money they earn on the market (such as third party funding), to take loans and to make savings. This led to a situation where some universities accumulated such huge reserves that it raised an alarm in the NRW government:

> *I think the major change in this law from 2006 is autonomy. Law granted a large degree of autonomy for universities in all aspects (organization, financial). Universities now receive lump-sum budgets, and they are allowed to build up reserves. The latter was sometimes criticized by the finance minister of NRW. Universities accumulated enormous sum of reserves. I do not know the situation today, but reserves were 1.3 billion euro 2-3 years ago. Finance minister started saying: "I have to borrow money on capital market and pay interests and universities have all that public money on their accounts". This is a debate that is going on right now* (Int. No. 3, 7.4.2016).

All these financial freedoms led to reduced dependency from the state in terms of funding. However, NRW government is still the main financier of public universities. Beside financial autonomy, all other levels of autonomy increased as well. For example, when it comes to staffing autonomy, universities are now free to employ their own staff. University staff still have the status of civil servant, but they became university employees (not the state ones). Also, in terms of organizational autonomy, the Act from 2006 left a lot of space for university to decide how they want to organize their internal structures. Universities can chose for instance whether they want to "install a rector or chairmanship as executive body" (De Boer et al., 2010a, p. 271). The only aspect of autonomy which has not increased relates to a universities' right to deal with their own buildings (that is still in the authority of the NRW government).

Again, as in the case of Austria and Finland, the HE reform in NRW was going in the direction of NPM. Even though many changes were introduced in 2006 Act, it seems that NRW government reduced its role too much. This was the main topic of the debate before the adoption of the new 2014 University Act. The German respondent explained the situation as:

> *During the last couple of years there was a lot of criticism about one thing - the fact that the ministry does not plan any more at all. There is no coordination of strategic plans of universities. They just let the universities determine their own strategies, and there was no overall plan. They could have done it. It is not a legal problem. That raised criticism from social democratic and green party after 2007, which came in power few years ago* (Int. No. 3, 7.4.2016).

The new NRW government, now composed of social-democrats and green party (after elections in 2012) decided to take a step back, and increase state planning in HE. The draft of the new 2014 Law faced huge criticism from the universities as an attempt of excessive regulation and bureaucratization from the state. Universities argued that the new Act will jeopardize competitiveness of higher education institutions in North Rhine-Westphalia and that it will annihilate all the progress universities made on their own starting from 2007 (German Rector's Conference, 2014). "It gives the state a great extent of latitude for action, while it severely constrains the universities with over-detailed regulations and obligations" (Fugmann-Heesing, 2014). Nevertheless, NRW government proceeded and adopted a new Law. It increases the right of the state when it comes to planning and universities now have to take into account the state's development plan. State also included other means of intervention. For instance:

> *There is a paragraph in a new law {§5} saying that if university is not doing well financially, there is a way for the Ministry to intervene into financial issues. However, they have not done that so far. This is at the moment only a hypothetical thing, but again it is a kind of an instrument to intervene that was not there before* (Int. No. 3, 7.4.2016).

The university autonomy on the other hand stayed untouched. Finally, the NRW also abolished tuition fees together with all other German states. NRW provided additional funding for universities as a substitute for abolition of tuition fees. This idea that state gave up much of its power to universities is also present at the federal level in Germany. The interviewee from Germany also consider this to be a major problem:

> *I think we made one big mistake in Germany. We taught how autonomy for universities should look like, but we never taught what the new role of the Ministry should be. Ministry is still there and they have to have a role. They should have an overall plan for the state* (Int. No. 3, 7.4.2016).

Even though federal government has very limited possibilities to intervene in the HE system, its funding increased in recent years. For example, trough excellence imitative many universities received additional funding from the federal government because Germany wants to create a certain number of elite universities. Additionally, the so called Higher Education

Pact (it will last until 2020) aims to help universities to deal with rising numbers of students by inputting additional funds (De Boer et al., 2010a). This additional funding created positive climate in HE sector. The interviewee from Germany commented that:

In NRW and in Germany at the moment universities are in very favorable position. There is much more money that we ever had before. All these programs that I have mentioned are financed by the federal government. I would say this is a split development in terms of regulatory power. Federal government has nothing any more. It had something 10 years ago, but with the last reforms of federal regulation that have absolutely no chance to intervene into the affairs of universities. That is also on the state levels. But if you look at the share of funds, then the percentage of federal government increased because there is the idea that if we cannot regulate we can give money. That is implicit regulation. We can steer and realize our objectives with money.

State (federation or federal units) also does not interfere in accreditation procedures. While in some other Europe countries accreditation is seen as just a different way of state control in HE, Germany does not have a state accreditation agency. Accreditation is in the hand of number of private agencies which function as intermediary bodies. However, Supreme Court recently made a decision that Germany gave too much power to these agencies and in the future situation will probably change in a way that the states will also have to take responsibility for accreditation of HEIs (Int. No. 3, 7.4.2016).

Finally, pertaining to influence of Europeanization on HE in Germany, only the Bologna had an impact. It was used by the states for achieving some goals by connecting them to Bologna process:

Different member states have very specific interpretation of what do they want to achieve with the Bologna process. Of course we have the written goals of the Bologna but there is also an implicit national goal. And implicit national goal for Bologna in Germany is that we want shorter studies (Int. No. 3, 7.4.2016).

4.3.3. Internal Governance

Internal governance of universities in NRW changed already with the introduction of Higher Education Act (2000). This Law strengthened HEIs by giving more power to governing bodies of universities. For example, the power of Rectorat as the main managing body of the universities increased (§20) and it became responsible for university development plan. However, the Senate remained the main decision-making body of the university. Its role was to elect Rector and adopt all the internal regulations of the university (§2). This was just the first step of internal governance which would continue in the following years. The next Higher Education Act from 2004 has not changed the role of the university bodies, and the major transformation only occurred later with the Higher Education Freedom Act from 2006. This Law changed not only the relationship between the state and universities, but also the internal governance structures.

Compared to the 2000 Law which had three main university organs: Rector, Rectorat and the Senate, the Higher Education Act (2006) introduced one more organ – The University Board and changed the name of Rectorat into Presidium and name of the Rector into President. The roles of the Senate, Presidium (former Rectorat) and President (former Rector) changed as well. The introduction of the University Board and strengthened position of the President/Presidium are considered to be the major innovations in internal governance structures in NRW:

> *With the introduction of University Boards, composed of external members (majority or mixed) with clear strategic responsibilities and strengthened leadership position of a Rector, we can say that very straightforward reform happened in Germany* (Int. No. 3, 7.4.2016).

Firstly, this new University Board gained a supervisory role, as in the case of Austria. According to the Law (Higher Education Act, 2006, §21) the Board has six, eight or ten members and it can be composed entirely of external members or at least 50% of the total membership places have to be allocated for the external members coming from industry, culture and society. It is up to the university to decide the precise number of external members. The members of the Board are elected by the Senate, members of the previous Board and representatives of the Ministry. The Board has a wide range of duties including electing the President/Presidium, approving university development plan, and supervision of Presidium/President work (§21). Since University Board elects university leadership, it gained much more responsibilities in that respect than the Ministry had ever had (De Boer et al., 2010a). When it comes to leadership, universities can choose whether they want to have one President or a team which is then called Presidium. Whatever the choice is, the President/Presidium manage the university affairs and they are responsible to the University Board for university decision. Also, they have to submit Annual Report to the Senate (§16). Finally, the Senate lost some of its power compared to 2000 law. Its role was to approve the President/Presidium and has mainly advisory role in terms of university development plan and performance agreements (§22).

Changes in NRW were quite similar to other German states. They were mostly in line with NPM principles. The university leadership was strengthened and universities are able to respond to changes in the environment much faster. Expert from Germany confirmed this:

> *What I cannot show empirically but it is personal impression that if something new is coming up universities have to deal with it. Five years ago came the issue of diversity management. We realized that student groups are more heterogeneous. There are older people, those with kids, with difficult social backgrounds, the migrants and refugees. This is really very diverse student body. It was amazing how quickly all the universities pick that up. I am in this business for more than 20 years, and in the first years when something new came up it took years for universities to do something. But the speed which universities react to these trends today is amazing. This is something that has to*

do with autonomy (and financial incentives). This is really great what we achieved. (Int. No. 3).

As Germany introduced changes in the internal governance structures later than some other EU countries it was called a "late comer to New Public Management" (Schimank & Lange, 2009, p. 51). However, once the reform happened, it was in harmony with the changes that occurred in other countries in Europe. The Germany is on the other hand unique in terms of the most recent developments in HE governance. The newest legislation from 2014 made a step back in the internal governance reforms. Firstly, the selection procedure of Rector/Rectorat (the name is changed again in the Law) is now different. The University Board lost its responsibility for electing the Rector/Rectorat and now the new Elective Body is in charge of that (§22a). Elective Body is composed of members of the Senate (50%) and University Board (50%). Then, since now members of the Senate participate in this matter, the decision making power has shifted slightly towards collegial bodies. On the other hand, the University Board kept most of its supervising responsibilities. The New Law prescribed some new rules regarding transparency of the University Board meetings (§21) and also for university research done by third party funding. These two solutions were criticized by the universities (Fugmann-Heesing, 2014). Other than that no major changes occurred and the entire reform process can be described as "six steps ahead, and two steps back" (Int. No. 3).

4.3.4. Summary of Changes

State regulation. Even though the recent Law changes slightly increased state regulation, in general this dimension of governance decreased, looking on the governance equalizer scale. Universities in NRW have much greater autonomy, especially in financial and organizational matters. By using performance based funding and accountability, the government focused on the results and shifted its regulation from input to output based model. The State of NRW also relaxed the legal framework, granting universities a legal status. They now can choose whether they still want to be public universities under public law or foundations. Finally, NRW does not have the state agency for accreditation and this process is conducted by numerous private agencies, which means that the government is not involved in this process.

External guidance. External guidance also increased in NRW, especially after the adoption of 2007 Act. Universities got a new body – University Board with supervisory role. External stakeholders have to have at least 50% of the seats in this organ, and the Law also allows the Board to be composed entirely of external members from the industry, society and culture. Thanks to this body and increased level of autonomy, universities respond much faster to the changes in the society. Also, even though the state role has changed it is still an important stakeholder and it can influence university actions both directly (through legislation) and indirectly by using contracts and accountability measures. Starting from 2014 states' role is even more important, since it can influence university planning and strategy.

Academic self-governance. As it happened in some other EU countries, like Austria, in NRW academic-self-governance also decreased. Senate's role became more advisory. After the 2014

reform, it regained some of its former power and in addition a new collegial organ was created – Electoral Body, whose main mission is to elect the Rector/Rectorat. Since half of the Electoral Body are members of the Senate, it means that this body regained some of the decision-making powers. All the other Senate functions are advisory, and in general terms its role decreased. Academic self-governance also has its informal dimension and in that respect university managers are still searching for a consensus with the academics when it comes to decision-making but on informal levels. According to Boer et al. (2007) university managers still behave as if they had no new powers, because they know that one day they might return to academic positions and they do not want to make enemies among some potential new managers (p. 148).

Managerial Self-Governance. This governance dimension increased. The Rector/Rectorat gained some new responsibilities and additional power. In NRW, leadership style shifted towards professional management. The University Act from 2014 requires that Rector/Rectorat have some previous managerial experiences. Also, the University Board is composed of professional managers and it cares of university strategy and future development. Finally, the Deans' power also increased, and they now act as mediators between the Rector and academics.

Competition. Competition in NRW and in Germany increased in general terms. Universities are increasingly competing for third party funding but also for the federal funds distributed through excellence initiative and other projects. Competition also increased for students at the time when universities in NRW collected the tuition fees. Finally, international dimension is another element which increased competition between German and other foreign universities for world class students and staff.

4.4. Case Study IV – The Netherlands

4.4.1. Introduction

The Dutch HE also belongs to the group of binary HE systems. It is composed of research universities (13 plus Open University) and UASs (more than 50). There is also a rather small private HE sector specialized mostly in lifelong learning activities. When it comes to legal documents regulating HE in Netherlands, the most important one is The Higher Education and Research Act from 1993. This document was amended several times but no new legislation has been passed since then. The most important bodies in charge for HE are: (1) The Ministry of Education, Culture and Science (Ministry in the further text, the main policy maker); (2) The Netherlands Organization for Scientific Research (funding university research primarily); (3) The Accreditation Organization of the Netherlands and Flanders (in charge of accreditation system); and (4) The Quality Assurance Netherlands Universities (independent agency dealing with assessment of degree and research programmers offered by Dutch universities) (De Boer et al., 2010a).

4.4.2. External Governance

HE reforms started in Netherlands earlier than in other case study countries. Already at the beginning of 1980s Dutch government planned to change HE governance (both internal

and external). The main reasons, as in the case of Austria, Finland, and to certain extent Germany were the crisis of welfare state and public finances. Also, as in the previous three cases, the conservative party took power in Netherlands and launched the reforms. The Dutch started reconstruction of the entire public sector and HE was consider to be the leader in that process (Enders et al., 2008). However, the first reform years were characterized not by decreased state role, but rather by increased government intervention. Expert from Netherlands confirmed this:

> *Just before government introduced The White Paper in 1985, there were a lot of interventions. Government explained that it is necessary for us* {HEIs} *to have more interventions at the first palace in order to receive more autonomy later. This created the feel of distrust among institutions and academics. University complained that government promised more autonomy, but in last couple of years it only increased intervention. This created a feel of distrust. However, in the later stages it* {reform} *was well accepted* (Int. No. 4, 7.4.2016).

Interventions done by the government included (but were not limited to) mergers of institutions, reorganization of personnel structures and changes related to study programs and university departments (Westerheijden, Boer, & Enders, 2009, p. 109). This first period was over in 1985 when the Dutch government issued the so called White Paper (*Higher Education: Autonomy and Quality*). Instead of direct control, the Paper stated that the government should steer HE by mechanisms on its disposal (Van Vught, 1989). The White Paper is considered to be a turning point and it announced a new era in HE governance marked by reduced state intervention and regulation, higher autonomy for HEIs but also increased accountability. The system level became the main point of steering, not the institutional. The state changed its role, but on the other hand it did not reduce its influence on the system – its interference rather took another form. Policy makers expected that HE will help the national economy and they urged HEIs to increase quality of service in return for increased autonomy. The ideas of the White Paper were later transformed into a new Law from 1993 – The Higher Education and Research Act (De Boer et al., 2010a) which is still in force today.

Adoption of the 1993 Act was just the first step in the legal reforms. It slightly increased university autonomy but all the other things including the funding system and internal governance structures remained the same. The later amendment on the law from 1997 (named The Modernizing University Act) went further in transforming Dutch HE and its principles are still in force. Firstly, the government role was changed. Its main responsibilities are now mainly to ensure efficient and effective use of public resources and to guarantee quality of HE service. It is also responsible for system performance and for providing accessibility to HE (Open Access System) (De Boer, 2009). As a result of the reduced role of the state, university autonomy increased in all spheres.

Firstly, organizational autonomy increased. Universities are free to decide many aspects related to their executive leadership (rectors term in office and his required qualifications) while determining academic structures and decision making bodies are regulated by the Act.

Secondly, financial autonomy also increased. Universities receive state funding in the form of lump sum budgeting and can freely decide on internal allocations of these funds. They also can keep the surplus from the public funds and borrow money on the capital markets. They are owners of their buildings and can sell them on the market. Finally, universities are able to charge tuition fees but it's the amount is determined by the government. Then staffing autonomy is very high as well. HEIs were able to hire their own staff from the beginning of 1990s. University staff do not have civil servant status anymore because and they are now university employees. Universities are also free to determine salary levels of their staff. Finally, concerning academic autonomy, even though some increase is visible there are still many limitations. For instance, pertaining to development of academic profiles, Ministry still plays a role and pays attention to whether there is a need for some academic profile or not. Then, new degree programs must be accredited. Finally, Netherlands has the Open Access System, and as a result universities have to enroll all qualified students who apply. In practice, universities can ask Ministry to set quotas for certain study programs like medicine, and this is happening quite often (De Boer et al., 2010b; Estermann & Nokkala, 2009). Open Access System also creates some problems for Dutch universities. Expert from Netherlands (Int. No. 4, 7.4.2016) complained:

> *There is another issue that plays a significant role when we talk about admission and selection. My idea is that if you make university autonomous and if you put a lot of pressure on performance (how many students do graduate etc.) - if universities have to account for their outputs, then they should also control their inputs. I think it is unfair that, on one hand you have to accept every student, but on the other your money depends on the number of students who graduate. Even if I am exaggerating this, HEIs are responsible for all students who fail to graduate and in that case institution is losing money. For that reason, I think that universities should control their inputs.*

The situation and the problems in Netherlands are quite similar to Austria in these term and as in Austria, it is not very likely that Open Access will be abandoned in Netherlands because of the very sensitive political nature of the issue.

Since the beginning of 2000s, three more topics were also important for HE reform. Quality assurance was one of them. According to an interviewed expert, it was: *probably the most controversial point. Academics were not eager to see government in charge for quality assurance* (Int. No. 4, 7.4.2016). That is why a compromise was found and now quality assurance is based on self-evaluation of by institution themselves. According to De Boer et al. (2010a) what also make the system acceptable is the fact that government do not translate outcomes of quality assessment when it allocates public funds for HEIs. This system still operates unchanged today (p. 419). The two additional issue are related to HE funding. Universities in Netherlands are still very dependent on public funding (around two thirds of their money is coming from the public budget while the reaming one third is from third party funding and tuition fees. Universities receive public funds in the form of lump-sum funding and performance agreements. These agreements between the government and HEIs are one of

the new ways of steering from a distance. The system is still rather new and there are issues with implementation (the quality of indicators) and the fact that performance agreements reduces funding autonomy:

> *Two or three years ago the Dutch government introduced the system of performance agreements. The government makes agreement with the institution on what HEI is supposed to do, and in return universities receive money. That is the idea. It is only a part of the budget, some 7%. It is interesting, however, that when you have performance agreement, it means less autonomy compared to a lump sum* (Int. No. 4, 7.4.2016).

There were also issues with lump-sum budgeting and internal allocations of funding inside HEIs. In some cases, universities were not able to decide how to divide money internally:

> *...in the lump-sum model you can decide on your own how to divide funding inside the university. And what did universities do when they got the opportunity to divide money? – they just copied the division model from the government. There were some arguments inside the universities like - why don't we get more money etc. etc. Why so much money for research? Then university concluded that this is a very difficult discussion and found a solution. If we {HEIs} use the government system with the percentages, it is the best way of dividing funds. There are some differences now after 15 years, but that was one of the things that changed. To avoid internal politics and fights inside the university, you copy the division system from the government* (Int. No. 4, 7.4.2016).

Finally, the Europeanization policies and other international organizations such as OECD had impact on HE governance and HE policy. Bologna declaration was implemented quite well. Then, some decisions of the European Court regarding the question of student loans and international students led to policy changes in Netherlands. Finally, EU is also very important when it comes to research and Dutch universities are quite good in acquiring those funds from European research projects. This affects not only universities as institutions but also everyday activities of individual academics.

4.4.3. Internal Governance

The Law from 1993 has not changed internal governance of HEIs in the Netherlands. This happened only after the 1997 Act came into effect. The previous system in the Netherlands was called *a duplex ordo* and at that time state bureaucrats and academics dominated in the university governing bodies. All university groups (academics, non-academics and students) were represented in this organs. However, already starting from the 1960s effectiveness and efficiency of this system were questioned (Westerheijden et al., 2009). The criticism reached its peak during the 1990s and it led to changes in the internal governance structures. According to the Dutch expert, internal university structure now has three main pillars:

> *The three big players in internal governance are firstly, the Supervisory Board who oversee if the Executive Board is doing a good job. Then we have the Executive Board – the Rector and two other members, and this is strange for international standards*

because you can say that we do not have one university boss, but three so to speak. And finally, you have the University Council as advisory body, representing interests of staff and students. I think in terms of what happened elsewhere, it is pretty much the same logic - in line with NPM. You have strong executive, you have advisory body and the body which oversees if thing are going according to the plan (Int. No. 4, 7.4.2016).

In the previous system, the Supervisory Board did not exist. The Dutch universities used to have it before the 1980s but then it was abandoned and in 1997 reinstalled in a different form. Also, the Executive Board before the 1997 Act was appointed by the state and by doing so the government could pursue its interests. However, the situation changed after 1997. According to the The Higher Education and Research Act (1993) the supervisory board is now the main body which oversees university actions. Members of the Supervisory Board are external to university staff and they are appointed by the government. Their main task is to appoint members of the Executive Board, to approve the budget, annual accounts and university strategic plan, and to oversee the system of quality assurance (§9.9). Members of the Supervisory Board are doing this job on a voluntary basis and they are not employed by the Ministry or any other state agency. They have to work independently from any external or internal influences and ensure that university is developing in the right direction (§9.7.). The Supervisory Board in Netherlands is similar to bodies with the same function in Austria and Germany and the fact that members of the board are appointed by the government but at the same time independent in their work is one aspect of steering from a distance policy.

The Executive Board is the second player in internal governance of the university (§9.2). It manages the university affairs on a daily basis, appoint deans, represents university in external actions and is directly responsible to Supervisory Board who also appoints the member of the Executive Board. This Board has three members and one of them is the Rector of the university. One of the members is always selected to be a chairman of the Board (§9.3). Finally, the third important stakeholder is the University Council which operates as advisory body and represents the interest of students' academic and non-academic staff (§11.13). The students have 50% of the seats in the Council and the academics and non-academics staff have the other half (which means that academics have less seats than students). University Council lost most of its decision making power and the last one was the approval of the university budget (Antonowicz & Jongbloed, 2015, p. 28). However, this does not mean that the Executive Board is not cooperating with the Council. As in many other countries, even though it is not formally required, Executive Board consults academics when it comes to important decisions:

When I said that representative body of students and staff (University Council) have certain authorities, what I meant was that they have to give advice. In other words, rector sometimes has to ask advice from the Council, he has to talk with academics and students. But apart from that, it is quite common that rector communicates with academics on many important issues. That happened many, many times (Int. No. 4, 7.4.2016).

Finally, when it comes to internal governance, one additional major change happened in the area of middle level governance structures. The power of Deans increased while the formerly very strong departments were abolished. Deans are appointed by the Executive Beard. The Deans now have the power to arrange faculty organization and decide on research programs (Westerheijden et al., 2009). To conclude, the main characteristics of internal governance dimension in Dutch universities is that each governance level appoints the level below - the Ministry appoints members of the Supervisory Board; the Executive Board appoints Deans and the Board itself is appointed by the Supervisory Board. This creates a chain of command characterized by hierarchical structure and clear division of responsibilities. The hierarchical structure and division of tasks is one of the recommendations of NPM and Dutch reform was pretty much in line with it.

4.4.4. Summary of Changes

State regulation. Starting from 1993 the state regulation in HE decreased. Even though government had done lots of interventions in the system previous to that date, what happened later was related to deregulation activities. Steering from a distance is the official government policy not only in HE but also other public sectors. The university autonomy increased in all dimensions, and especially in terms of funding. With the introduction of lump-sum budgeting, universities got the freedom to allocate funds internally. Also the freedom is high when it comes to borrowing money on the capital markets and creating reserves. In addition, government no longer appoints the members of the executive boards, but only the Supervisory Board whose members are not government employees. What has to be taken into account is that the state regulation has not disappeared, but it has rather changed its nature from direct regulation to indirect supervision.

External guidance. With the introduction of Supervisory Boards and other measures done by the government, the external guidance increased. The Supervisory Board, composed entirely of external members is now overseeing the university development and approving all most important university documents. On the other hand, the Dutch government remained one of the most important and active external stakeholders. By using different accountability mechanisms and, since recently performance-based funding, it preserves its influence on HE sector.

Academic self-governance. This third governance dimension decreased, especially after the adoption of 1997 amendments. It introduced professional university management and abandoned collegial decision making by the academics. The University Council, who represents the interest of students and university staff, lost its decision making power, and now it has only advisory role. However, as it was the case in other countries in this study, university managers are still very keen to discuss the main university issues with the academics. In that sense academic self-governance did not completely disappear, but it rather moved to non-formal sphere.

Managerial self-governance. Managerial self-governance increased in the Netherlands. Universities now have hands-on professional management dealing with day-to-day operations.

The Executive Boards got new responsibilities and now are free to make decision without approval from the Ministry or the departments. The position of deans also got stronger as well and the previously very strong university departments are abolished.

Competition. Competition increased in Netherlands. Universities are trying to develop better missions and to attract the best students and staff. Increased competition is also noticeable in research. For example, competition for research funds distributed by The Netherlands Organization for Scientific Research is one example. The other one is increased competition for EU research grants and projects. As it was explained, the Dutch universities are quite good in attracting research funds from the EU level.

4.5. Case Study V: Slovenia

4.5.1. Introduction

HE system in Slovenia is much smaller compared to other case studies. There are four main types of HE institutions: universities (4), one Independent Institution of Higher Education (also public), one International Association of Universities, and number of private higher education institutions (44). The Higher Education Act adopted in 1993 and amended several times still provides the legal framework for HE in Slovenia. Finally, the three most important bodies responsible for HE are: (1) The Ministry of Higher Education, Science and Technology (the main stakeholder and policy maker); (2) The National Agency for the Quality of Higher Education - NAKVIS (responsible for quality assurance since 2010); and (3) Council for Higher Education (serves as advisory body for the government on the issues of HE) (The European Education Directory, 2016c)

4.5.2. External Governance

Slovenia became independent state in 1991. Before that date it was part of the Yugoslavia - a socialist, non-aligned country. For that reason, until 1991 Slovenian HE was part of the Yugoslavian system with universities as extremely loosely-coupled, umbrella organizations, composed of highly independent faculties. The level of faculty independence was visible from the fact that they were separate legal entities and not the university (Zgaga et al., 2013). The HE as well as other state companies from the public sector in Yugoslavia were organized on the principle of so called worker self-governance. In that system, the workers and not the government manage the business of their company. The state government prescribed the rules for the system, but the public organizations were autonomous to manage their own work. In that respect Yugoslavian system was less controlled directly from the government than in some other communist countries in the Eastern Europe (Zgaga, 2011). In the first half of the 90s (1991-1995) the civil war led to a dissolution of the country, and emergence of six independent states.

Slovenia started to reform its HE immediately after the independence. The situation in the country was not similar to other case studies concerning the background of the reform. The HE restructuring was just one part of the process of nation-state building after Slovenia, for

first time in its history became an independent state. It was necessary to create a completely new legal framework for the new country (Zgaga, 2011). At that time, and maybe precisely for that reason, all the internal and external stakeholders were in favor of the HE reforms. However, the main question was – what kind of reform? There were three widely discussed topics from the start of the transformation process in 1990s until today. The first one was the adoption of the new law on HE and the issue of the internal integration (centralization) of universities. The National Parliament asked universities to draft a new Higher Education Act and it was finally passed in 1993 (came into effect in 1994). The aim of the new Act was to raise university autonomy, to integrate public universities and legalize private universities, to introduce the system of quality assurance, and finally to provide the basis for strategic planning on the system level (De Boer et al., 2010a) The most complicated question was the university integration and the legal status of the universities:

> *In those first years the issue of the university integration was the most painful one. We saw already in 1980s that the current system is not cost-efficient because each faculty had its own department for English language and there was at the same time Faculty of Philology with focus only languages. That is why we had the idea to abolish this system. The Council of Europe was very helpful in that respect. They sent their experts who helped us in the process of reconstruction and with dealing with legal problems of this decision. That is how we introduced one paragraph {§10} in the 1993 Act saying that previous system is abolished* (Int. No. 5, 5.4.2016).

The resistance from the faculties was huge. The largest faculties were also the biggest opponents of the reform. The main reason for the resistance lies in faculties belief that they will not be able to keep the money earned on the market after university become integrated (from tuition fees and projects, as it was the case until then). After some time, the Constitutional Court in Slovenia had to decide whether §10 in the 1993 Act was legal or not. The court ruled 5 to 4 in favor of the solution in the new Act and after that the issue of integration was not raised again. The final decision was that separate legal entities are universities and not faculties (Higher Education Act, 2004a, §10). However, the integration was never fully implemented, and the current system is a product of a compromise between the state, universities and university faculties. As a result, each faculty has its own account (beside one common university account) and can keep the money earned on the market.

The main contribution of the Act from 1993 was that it established a legal framework for HE and set the course for future development. It was clear that the Slovenian government does not want to control the system directly. Higher Education Act (1993) was drafted by taking into account European developments from that time. It guaranteed university autonomy (§6), established framework for quality assurance (§80) and legalized the establishment independent higher-education institutions (§11). The Act also gave legal basis for the establishment of National Council for HE (NCHE) as an intermediary body between universities and government in 1994. It is composed of experts for HE, representative of the students, businesses and society, president of Slovenian Academy of Science and Arts and chairman of

National Agency for the Quality of Higher Education (§48). This body serves as an advisory agency for the government, it carries out accreditation procedure, prepares legal changes, drafts the national program for HE and deals with overall planning (Pajnič, Vilfan, & Širok, 2011).

The establishment of NCHE was a clear sign that government wants to control HE indirectly. This shift from government to governance was evident also in some later legal changes. In 1999, the Slovenian Parliament passed amendments on the Higher Education Act from 1993, giving higher autonomy to HEIs and introducing some changes in the funding system (De Boer et al., 2010a). All levels of institutional autonomy increased compared to 1993. Firstly, in terms of organizational autonomy, universities are free to determine their academic structures, and to elect the rector (his qualifications or term in office are determined by the university, but he has to be a member of the university staff). Staffing autonomy increased slightly. However, university staff still has the civil servant status (even though the university can employ them), and overall salary costs are determined by the state. Academic autonomy as a third dimension also increased. Universities are free to decide on student quotas and to determine admission criteria. On the other hand, overall student number is determined as a result of negotiations between the ministry and universities. Finally, financial autonomy increased, especially after the 1999 Law amendments (Estermann & Nokkala, 2009). Slovenian universities got the lump-sum and performance-based budgeting, the right to keep surplus from state funding and charge tuition fees (the fees are set by the state). As it was the case in some other case studies, the problem with performance based budgeting was the unclear indicators:

> *The problem with performance based funding is that the criteria's are constantly changing. From the very beginning we looked at number of enrolled students and number of graduates. The newest amendment to the law added that now we also look at number of published papers. However, the problem is that this is constantly changing. One year the Ministry says we want more publications, the next year we want more graduates. The proportion of the budget is like this 75% is stable funding and 25% is based on performance* (Int. No. 5, 5.4.2016).

Universities are also the owners of university buildings but to sell them requires permission from the state authorities. Finally, universities are not allowed to borrow money on the capital markets (Estermann & Nokkala, 2009). The Expert from Slovenia agreed that university autonomy has increased, but he also pointed out three big problems. The first one is that autonomy is still perceived as academic freedom. The second one is related to relationship between the state and university in time of economic hardships:

> *In the past five years, austerity measures brought back some of the state interventions in HE. For example, the state would pass financial plan and say that universities have to reduce their staff for 10% due to economic hardships. In that respect, universities have higher autonomy, but on the other hand university Rector has to fire some university staff because the Ministry said so. If you ask academics, they would argue that we have autonomy, but on the other the state can affect our work by this kind of decisions.* (Int. No. 5, 5.4.2016).

The final issue is with accountability requirements. There are formal and non-formal ways of checking if universities are accountable. The formal way includes all kinds of reporting that universities have to submit to the government. The informal is done not by government officials, but by media. Slovenian expert explained that:

> *We have a lots of discussion these days about accountability. The idea is there, but the pressure of the state for the accountability is not the most important. The media is also asking questions. Universities are more often involved in some sort of scandals – financial frauds, plagiarism and so on. Fifteen years ago it was hard to find one journalist who is reporting on education. Today, we have specialized teams of journalist who monitor what is happening in the HE on a daily basis. This means that universities are under the surveillance by general public (Int. No. 5, 5.4.2016).*

The final topic is related to the issue of quality assurance and Bologna reforms. Quality assurance started in Slovenia much later compared to other countries due to some political problems in the country. The Act from 1993 foresaw the system of quality assurance (Higher Education Act, 1993) and prescribed that the National Council for HE should have an Accreditation Commission. Since 1997 this National Education Quality Assessment Commission was dealing with the quality assurance but not very successful. At that time universities were also doing self-evaluation of their work. Then after the 2000 situation started to change due to Bologna reforms:

> *At the beginning of 2000 government had an idea to create National Agency for Quality Assurance. There were many problems regarding this plan, since it was unclear who should pay for it: universities who were in financial crisis or the state which had many other priorities at that moment. In 2004, the amendment of the Law introduced Bologna structure but also prescribed the establishment of such agency. However, when the Law came into force, there were elections in Slovenia, government changed and for the new cabinet anything done by the previous one was bad (as it happens in Serbia all the time too). This amendment of the Law was abolished and new one adopted in 2006 giving Council for HE right to deal with quality assurance. This Council is not independent and in its essence it is a political organ. The Council applied for the membership in ENQUA and was refused. After the next election, in 2009 new center-left government amended the Law one more time, finally establishing the National Agency for the Quality of Higher Education (NAKVIS) (Int. No. 5, 5.4.2016)..*

Today this system operates quite well. However, it seems that the experience with Bologna reform was perceived as quite bitter in Slovenia. According to Slovenian expert, at the beginning of the reforms Slovenia has not had any agreement with the World Bank nor it was part of the OECD, so these international organizations had little influence on the reforms. On the other hand, Bologna and other policies from the EU level had influence. The main issue was the implementation of Bologna declaration. The expert complained that:

> *Our interpretation of Bologna was disastrous. We degraded the entire HE system. This*

was classical example of policy transfer from the center to the periphery. On one hand, small countries often do not have expertise do implement changes on their own. On the other foreign experts can help, but in that case the result is usually noncritical copy-paste system. We have to be careful with the implementation (Int. No. 5, 5.4.2016).

4.5.3. Internal Governance

Internal governance structures are evolving in Slovenian HEIs since the adoption of the 1993 Act. The Higher Education Act set the framework for both university and faculty bodies. Even though universities today are more integrated than before, faculties are still very powerful and their governing structures are also very important for understanding the system (Traveller, 2014). That is why the Law defines governing bodies on both university and faculty levels. Universities have the following bodies: rector, senate, administrative board and student council while faculties have dean, senate, academic assembly and student council (Higher Education Act, 1993, §20). In the case of Slovenia collegial governance is very strong and it is one of the legacies of the former Yugoslavian HE system. The adoption of the 1993 Law did not change the system. Only the amendments from 1999 allowed universities to have managerial organs (director of the university) beside the academic organs (De Boer et al., 2010a, p. 531). In that respect, university internal management gained the chance to be professionalized. However, the collegial bodies are still the main stakeholders in internal governance.

According to the Higher Education Act (1993), the Senate is the main professional body of HEIs. It is composed of academics, students and the University Rector, while the same applies for faculty Senates (Dean is a member instead of Rector, Academic Assembly instead of Administrative Boards). The University Senate is elected by the faculty senate members. Students are in both cases represented in the Senates, with at least on fifth of seats (this was not possible until 1999 amendments of the Law) (§21). Day to day operations are in the hands of the Rector on the university level and Deans on the faculty level. University rector had a weak function before the university integration. After the Constitutional Court decision that universities are legal persons, the role of the Rector became more important. He/she is now responsible for coordination of university operations and has to ensure that university actions are legal. Rector is also accountable to the University Senate, Administrative Board and to the government (§23). The procedure for the election of the Rector changed in 1999. Before that time, university senate was electing rector. However, starting from 1999:

Rector is elected on the public election, and everyone (all levels of academic staff and 20% of the students called electors) has right to vote. Very soon there will be a new amendment in the Law, stating that also nonacademic staff can vote (also 20% of the by using electors) (Int. No. 5, 5.4.2016).

This system is quite similar to Finnish procedure for electing the rector. When it comes to faculty Deans, they are appointed by the Rector after faculty Senate propose a candidate. Deans are accountable to the Rectors and faculty Senate, and their main responsibility is to coordinate faulty operations, and ensure quality of work (§24). At the university, there is also

a Managerial Board, mainly responsible for financial issue of university (§22). Amendments on the Higher Education Act in 1999 created so called Academic Assembly on the faculty level whose main task is to elect the faculty Senate and propose a candidate for a Dean to the Senate (§22a). The creation of this body was the result of outcry of junior academics that university internal structures are not democratic enough. The Interviewee from Slovenia explained the situation:

> *University management was weak prior to 1999, composed of solely of senior academics. For that reason, group of 200 junior professors submitted the petition to the government asking for democratization of internal governance. It was granted. There were some discussions and finally, 1999 amendments to the Law was adopted. As a result, each faulty got the academic assembly, composed of all teacher and researchers. They choose the candidate for the dean on the secret elections. Then the Senate can only to approve the candidate (or to disapprove, but this is not happening) and to send the proposal to the rector for the approval* (Int. No. 5, 5.4.2016).

As it can be seen from the previous lines, collegial governance is strong in Slovenia. Also, in the case of Slovenian HEIs, there is no separate body with external members who would oversee the university work (as it is the case in Germany, Netherlands and Austria), nor there are external members in the university senate (as in the case of Finland). This is in the hand of National Council for HE. For these two reasons, and the fact that none of the public universities appointed the Director of the University shows that the HE reform in Slovenia was not so much in line with NPM as it was the case in other case studies.

4.5.4. Summary of Changes

State regulation. State regulation decreased in the years following the adoption of The Higher Education Act in 1993. It was the clears sing that state intended to control HE indirectly. In that line, policy maker granted high institutional autonomy for HEIs. Even though in some aspects, institutional autonomy increased only slightly (like staffing autonomy), HEIs in Slovenia are much freer to manage their own affairs today than before 1993. Financial autonomy increased the most, since starting from the beginning of 2000s the state is using lump-sum and performance based budgeting to fund the universities. Finally, the creation of the National Council for HE with some external members was one step forward towards HE steering.

External guidance. External guidance is still rather low in Slovenia compared to other case study countries. The state is the most important stakeholder, but other than that the interest of the other groups in the society are just partly represented in the National Council for HE (where some of the seats belong to academics). There is only one council for the entire HE system, and Slovenian universities do not have their own supervisory bodies as Austria, NRW and Netherlands do.

Academic self-governance. This governance dimension is positioned high in Slovenian HE and university staff has high independence to manage their own affairs. The collegial bodies on

both university and faculty levels are empowered by widening participation of junior academics. Also, new collegial body was created on the faculty level – Academic Assembly, whose main task is to elect the faculty Senate and propose a candidate for a Dean.

Managerial self-governance. Managerial self-governance increased in Slovenia as a result of university integration. Prior to the integration, the Rector's role was rather symbolic. However, after the integration his/her function became much stronger and now Rector can make decision and coordinate university operations. The universities got the possibility to have a Director, as a managerial organ, but until now none of the public universities have one. On the faculty level, the position of Deans became stronger than it was before.

Competition. The competition increased lightly in Slovenian HE. Since the Law from 1993 allowed establishment of private HEIs, their number increased to 44. However, these are small institutions in terms of number of students and staff. That is why some authors like Galevski and Mihut (2013) argues that competition almost does not exist (p. 10). In reality competition increased for students and research funding. Also, competition increased between the universities for EU projects.

4.6. Conclusion: Where is Europe heading to?

In this section, the changes in European Countries will be presented by using the Governance Equalizer tool. The HE governance reforms in five case studies look like this:
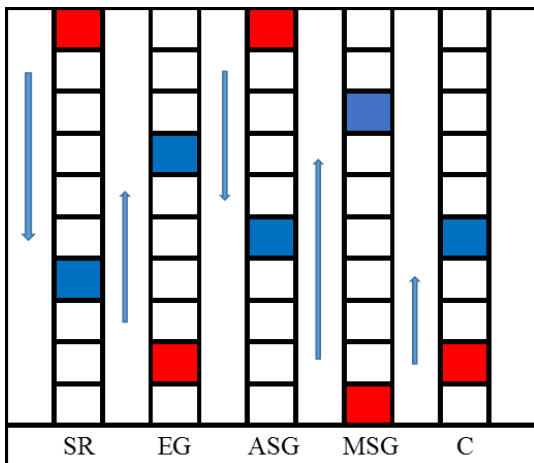

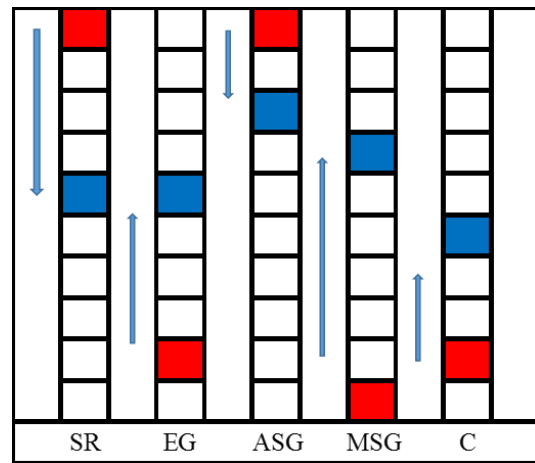Figure 1: Governance Equalizer Austria
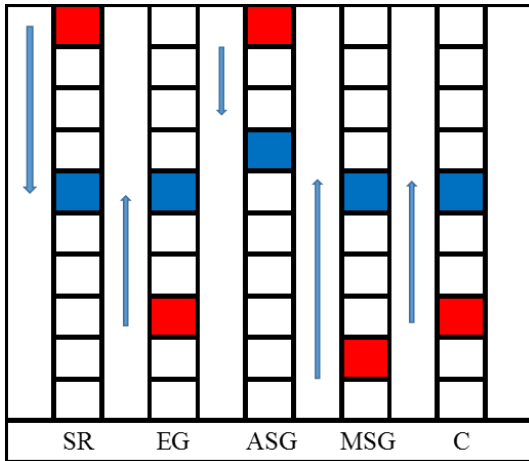

Figure 2: Governance Equalizer Finland

Figure 3: Governance Equalizer NRW

Figure 4: Governance Equalizer Netherlands
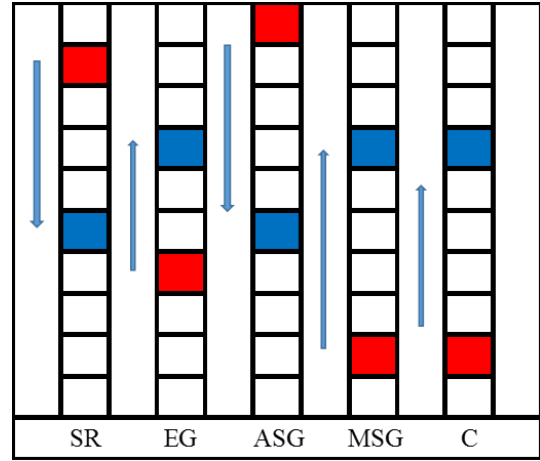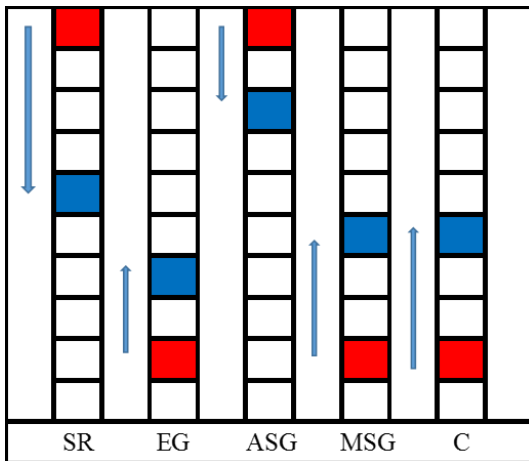

Figure 5: Governance Equalizer Slovenia
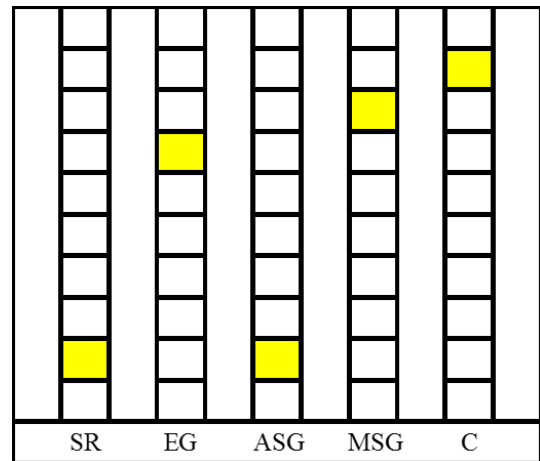
Figure 6: NPM desired values

🟥	**Position at the beginning of 1908s**
🟦	**Today's position**
🟨	**Values as suggested by NPM**
SR	**State Regulation**
EG	**External Guidance**
ASG	**Academic Self-Governance**
MSG	**Managerial Self-Governance**
C	**Competition**
→	**Direction of changes**

The figures above represent changes in five governance dimensions in Austria, Finland, NRW, the Netherlands and Slovenia. Looking at the reforms in the five case studies, the pattern is clear – all HE systems are going in direction of NPM. The detailed explanations for each country are provided in the Summary section of each case study. At this place, the thesis will try only to find major similarities and differences between different cases.

The first governance dimension – *State Regulation* – decreased in all countries. According to NPM, this governance should be low in the equalizer and all counties are moving in that direction. The shift from government to governance started in all countries by the adoption of a new legal framework. All case study countries adopted or changed laws regulating HE and new legislation introduced major changes in HE governance. First, in all case studies universities became separate legal entities. This means that universities lost the status of public agencies and by doing so they became effectively separated from the state. In the case of Slovenia, its faculties had the status of separate legal entities even before the new legislation was passed. However, this status was after the reforms granted to universities during the process of integration.

Then, institutional autonomy also increased in all countries and universities in all countries are generally freer to manage their own affairs. The funding autonomy increased the most in all cases. All five countries abandoned line-item budgeting and introduced lump-sum funding. This allowed universities to distribute funds according to their needs. Also, at least one small proportion of state funds for HE is distributed by using performance indicators. In NRW, this started already at the beginning of 1990s, while in Netherlands few years ago. By introducing performance based funding, governments are hoping to force universities to achieve certain goals before getting more money from the state. This is a practical example of steering from a distance concept, where the policy makers are more interested in outputs than inputs. However, the major problem with this funding model is how to create good indicators – and this issue appeared in all cases. Organizational, staffing and academic autonomy also increased. Finally, by using accreditation and quality assurance procedures, national governments are able to control emergence of new study programs. Austria, the Netherlands and Slovenia have national accreditation agencies (Netherlands have this agency together with Flanders in Belgium, and Slovenia has the agency since 2010, after a decade of legal changes). NRW does not have its state agency, and accreditation is done by many independent agencies. Finally, Finland does not have accreditation system but universities are required by the law to take external evaluation (most of them use the services of The Finnish Education Evaluation Centre – FINEEC).

External guidance increased in all respective countries. First, in all countries the government is the main stakeholder who regulate HE system directly through setting the legal framework and indirectly through the mechanism described above. It is also the main financier of HEIs. The proportion of state funding in the total sum for HE goes to 50% to 80%. The most noticeable change in most of countries in the thesis is the involvement of other external stakeholders (from industry, culture and society in general) in HE governance. In all countries,

external stakeholder are included in internal governance of universities. In Austria, NRW and Netherlands new bodies were created (called – University or Supervisory Board or Council) with the same mission – to supervise and approve the development and actions of HEIs' management. In Austria and Netherlands only external stakeholders can sit in these bodies, while NRW has a system where at least 50% of the seats must be taken by external stakeholders. Finish universities included external stakeholders in collegial body – University Board. Finally, Slovenia only have external stakeholders in National Council for HE, but this body is not part of the universities. All these bodies can direct university development and oversee the actions of the management.

The situation with *Academic Self-Governance* is mixed across the observed cases. In Netherlands and Austria this governance dimension decreased significantly. The collegial decision making bodies were losing power. In Netherlands their role became only advisory, while in Austria its power was reduced significantly. In the NRW, after the reform in 2007, the collegial bodies also lost influence. However, after the most recent reforms, government restored some of their power. This was the only case of the reverse trends in this respect. However, collegial decision making in general terms lost ground in NRW as well. Situation in Finland and Slovenia was rather different. Academic Self-Governance was always strong in these two countries. In both countries even some new collegial bodies emerged – in Finland so called Collegial Body with supervisory role and in Slovenia Academic Assembly in faculties which elects faculty Senate and propose candidate for a Dean. On the other hand, in both countries collegial decision making decreased slightly due to increase in power of managerial bodies.

The fourth governance dimension, *Managerial Self-Governance* increased in all observed HE systems. NPM logic urges for stronger leadership and managerial positions in universities, who can make use of increased autonomy and manage the university more efficiently and effectively. For that reason, new legislation empowered university rectors and deans and created new bodies to oversee the university management work. They now have more CEO-type role, with the ability to lead day-to-day operations of the university. In addition, university management got the ability to recruit university staff. This happened in all case studies and made universities more like companies. In Netherlands, the role of deans also increased significantly after the abolition of powerful university departments. Finally, in the case of Slovenia the role of the Rectors increased thanks to the university integration. In the previous system, they had no power.

Finally, the *Competition* increased also in all case studies. In those countries without significant private sector (like the Netherlands and Finland) the main competition is between public HEIs themselves for best students, staff and research funding. On the other hand, in Slovenia, Germany and Austria, there is also competition between public and private HEIs. In general terms, private HE is not largely present in any of the case study countries, compared to the some Eastern European countries and for that reason this governance dimension does not have huge increase in that area. Another dimension, where competition is becoming more

serious is international arena. Universities from selected case studies are more concerned about their reputation and trying to attract international students. Also, universities are competing for international funding and projects, especially coming from the EU level.

NPN as theoretical approach was used quite successfully to explain the changes in Europe. Looking at the content of HE transformations, it is easy to conclude that policy makers had in mind NPM logic when they reformed their own systems. The RDT on the other hand, was not so useful for understanding the content of the reforms. However, some of its concepts and tactics proved to be true in the above case studies. First, the concepts of dependency and power can be used for explaining why European governments were able to impose changes in the first place. RDT argues that the more focal organization is dependent on one provider for resources, the more power over the focal organization that provider has. Of course, it may be the case that the resource supplier is also to some extent dependent on focal organization products and services. HEIs in all case studies are highly dependent on public funding, and for that reason governments have power over HEIs and can impose reforms. Also, the state is dependent on public HEIs for providing education and research, and thus helping society and economy in general. However, the state dependency on public HEIs has reduced in recent decades with emergence of new HE providers. The public funding for HE in recent decades remained stable in most case studies, while the costs increased. The public officials were not able to follow that cost and secure enough resources. For that reason, in order to compensate they decided to give up some of its power over HEIs by granting them autonomy and steer from a distance instead. This happened in all case studies and can be seen as a general trend.

The RDT tactics for dependency reduction and managing the environment were also used by HEIs. For example, mergers as one of the tactics were used in Austria, Netherlands and Finland. The main idea was to reorganize the HE sector and make it more efficient and effective. In Finland, for instance, the mergers are happening systematically, because the government want to reduce the number of HEIs, consolidate the system and use the economy of scale and cooperation to empower universities. This led to changes in both internal and external governance levels. Another widely used tactic was the creation of consortiums and partnerships between the universities. The universities are creating consortiums and partnerships with other universities so that they can compete together on HE markets and apply for research projects and funding. For that reason, university leaders and managers are eager to use this tactic because they understand the potential benefits from it.

Chapter 5: Higher Education Governance Reform in Serbia – Recommendations for the Way Forward

Chapter five has as the main goal to provide recommendation for Serbian policy-makers for the future HE governance reform. As a result, it will fulfil the individual research aim number four. This chapter has two main parts. In the first section, some background information will be provided about the Serbian HE system and the most recent changes. In the second section, thesis will try to explain why the HE governance reform is needed, what should be changed and how it should be done. Recommendations are based on interviews with Serbian HE experts and previous research about governance reforms in Europe in the chapter three.

5.1. Setting the Scene

The modern Serbian HE has its origins in the HE system of the former Socialist Federative Republic of Yugoslavia (SFRY). The entire Yugoslavian HE system (as well as some other public sectors) was characterized by the so called workers' self-governance. It meant that, at least formally, the state was not the owner of factories, universities and other organizations but the workers from these institution themselves. All the employees took part in decision making processes and in some way, this system was also democratic (so called worker's democracy) (Traveller, 2014, p. 22). Until 1970s, Yugoslavian universities were not differently organized compared to other countries in Europe. There was the University Council (Rector was the chairman of the Council) dealing with management of the entire universities, and the Faculty Council dealing with daily issues on the faculty levels (Uvalic-Trumbic, 1990). However, after 1968 and student protests in the country, Yugoslavian HE was reformed. The state officials applied *divide and conquer approach* and decided to internally weaken universities by granting faculties the status of separate legal entities. This decision still have consequences for HE system of former Yugoslav republics – now independent states (Zgaga, 2011, p. 9). In practice this meant that universities are just loose confederation of independent faculties and none of the important decisions are made at the university level. For this reason Vukasović (2005) argues that universities do not even exist, because of their irrelevant role compared to independent faculties (p. 402).

During and time after the dissolution of the country in the long civil war (1991-1995), Serbian HE system was in the turmoil. The country was internationally isolated and a huge part of highly educated population left the country looking for better life prospects elsewhere. The peak of the crisis was in the 1998 when the government adopted the new University Law, imposing strict control over the HE system. As a result, university autonomy was reduced significantly. According to this Law (University Law, 1998) Rector, members of the University Board, Deans and members of the Faculty Boards are to be appointed by the Government (not elected as it was previously done) (§110, §115, §123 and §128). In addition, each university and each faculty got the so called Supervisory Board with the mission of overseeing the work of the universities and faculties (§118 and §131). Such a system would not cause to many concerns in a country with a democratic government. However, taking into account that Serbia

was governed by Milosevic authoritarian regime at that time, the new Law had a clear intention to subdue universities. Government decided to take control because of the academic community activism in the civil unrests throughout the 90s. This situation lasted until 2000, when the new democratic government took power after the elections.

One of the first moves of the new government was to abolish the University Law from 1998 and adopt new legal act in 2002. This new Act was quite similar to the 1992 Law and its main purpose was to eliminate negative effects of the 1998 Law (Marinković-Nedučin, 2006). University autonomy was restored. In addition, Rector, University Boards, Deans and Faculty Boards were again elected and not appointed by the government (although 1/4 of the University Boards and 1/5 of the Faculty Boards were occupied by appointed representatives of the government). Finally, the Supervisory Boards on both university and faculty level were abolished (Univeristy Law, 2002, §102, §103, §110 and §111). At the same time government started to work on a draft for the new Law. The proposed changes were quite substantial and the team who drafted the law was professional and independent in its work. It took into account the best practices from EU countries and had support from the government for a more radical transformation of the HE system. This was important since the huge resistance was expected from the academic community. The main topics of the discussion was the implementation of Bologna and university integration (Branković, 2010). Both topics raised concerns among academics, and the biggest opposition to the proposed draft came from University of Belgrade – the biggest, flagship HEI in Serbia. The reform spirit after the democratic changes created a good climate for change and it seemed that chances for success were high. Serbia signed the Bologna declaration in 2003 and agreed to align its HE system with EHEA (Galevski & Mihut, 2013, p. 4). However, earlier that year, the Serbian Prime Minister Zoran Djindjic was assassinated and new government put the reform process on halt. The new Minister and his team decided not to disturb the society and academic community by some radical transformations of the system and allowed universities to draft their own version of the Law. After some negotiations and compromises between academics, students and government officials, the new Law on Higher Education was passed in 2004 and came into effect in 2005 (Branković, 2010).

5.2. From the Higher Education Reform in 2005 until Today

The new Law on Higher Education (The Law on Higher Education, 2005) introduced various changes in the HE governance. The most important reforms happened in the area of external governance. Firstly, when it comes to the role of the state, it decided to delegate some of its functions to other so called buffer bodies, starting the so called shift from government to governance. The Ministry responsible for HE (its name has been changed many times so it will be referred in the further text just as the Ministry) lost some if its functions and some of its responsibilities are now shared with the buffer bodies. Ministry also gained some new tasks. For example, it is now in charge of planning the HE development which was not the case in the previous Law (Branković, 2010; The Law on Higher Education, 2005, §23). It also has the main saying in the HE policy, it grants working permit to HEIs and monitors the system.

Beside the Ministry, there are also other bodies responsible for HE on the system level. There are five buffer bodies. Some of them existed before that Law was passed and some were introduced for the first time in the 2005 Law. The first buffer body (it existed before the 2005 Law, but had some of its functions changed) is the National Council for HE (NCHE) (§9). It has 16 members who are elected by the University Conference (10) and the Conference of Vocational HEIs (2). These NCHE members are representatives of the academics. Four external members from culture, society and business sector are appointed by the Serbian Government (3) and Government of Autonomous Region of Vojvodina (1) (§10). NCHE is responsible for monitoring the planning of HE, the quality of HE, it recommends the HE policy to the Ministry, and sets quality assurance and accreditation standards (§11). Some of this functions, like monitoring the planning of HE development were in the responsibility of the Ministry before.

The next buffer body introduced for the first time in the new Law is the Commission for Accreditation and Quality Assurance (CAQA). It has fifteen members selected by the NCHE (§13) among academics and experts for HE. Its main responsibility lies in the area of quality assurance and accreditation. It recommends standards and procedure for accreditation of HEIs and study programs, and standards for self-evaluation of HEIs and quality assurance to the NCHE. It also implements accreditation procedure (§14). The CAQA became functional in 2006 and in the following five years it completed the first cycle of accreditation of HEIs and study programs. In 2013, CAQA became a member of European Association for Quality Assurance in Higher Education - ENQUA (CAQA, 2013). CAQA and NCHE are the two most important agencies helping Serbian government to steer HE system (Vujacic et al., 2013) Finally, the remaining four buffer bodies are University Conference, Conference of Vocational HEIs and two Student Conferences. These four conferences are taking care of universities, vocational HEIs and student's interests respectfully. University Conference is important also because it has a role in selecting members of NCHE and CAQA (§18-§22).

The Law from 2005 also introduced some changes regarding institutional autonomy. The Law from 2002 only states that university have the academic freedom and that institutional autonomy is guaranteed. However, the new Law prescribes the institutional autonomy in detail (§6). It seems, however, that the level of institutional autonomy is higher than before, but only in minimal terms. According to Estermann and Nokkala (2009) when it comes to organizational autonomy, determining academic structures is prescribed in the law as well as the framework for decision making bodies. Universities and faculties have external member in its bodies (always in minority), and HEIs are free to select Rector/Deans, and to determine their qualification. Staffing autonomy is high. Beside the recruitment of staff, which is prescribed in the law, universities may freely appoint the senior staff and set the salary levels. The fact that university staff do not have civil servant status increases this type of autonomy even more. In terms of academic autonomy, student quotas are set by the state and number of students per discipline is determined through accreditation procedure. New study programs must also be accredited. Universities are free to determine admission criteria and also to have their own institutional strategy. However, they should (at least formally) take into account the state

strategy for education, adopted in 2012 (Ministry of Education and Science, 2012)

Finally, when it comes to financial autonomy, it is rather low and the Law has not changed anything in this respect. HE funding is regulated by the 1992 Regulation on Funding of HE. Line-item type of budgeting is still in use, it is formula based (number of enrolled students, number of teaching staff, field of study and basic criteria for salaries are taken into account) and predominantly input oriented (Vukasović, 2009, p. 82). Universities/faculties have to report their financial status to the state audit agency, and cannot keep surplus from received state funds. On the other hand, faculties can freely determine level of tuition fees and also can borrow money. Finally, when it comes to real estate, universities/faculties are not the owners of the buildings and cannot sell them because the state is the owner and it can only be done with agreement of the state (Estermann & Nokkala, 2009). HEIs are dependent on public funding (there are huge differences between different faculties within the same universities) and the government investment to HE is less than 1% of GDP, which is a small percentage compared to other EU countries (FINHED, 2015)

In terms of internal governance, some changes can be noticed as well. Instead of having only two governing structures (Governing and Professional Body), as it was prescribed in 2002 Law, HEIs now have four – the Governing Body, the Executive Officer, the Professional Body, and the Student Parliament. In reality, the only new body in the internal governing structures of HEIs are Student Parliaments since all the other bodies existed before (The Rector/Dean and The Council were considered governing bodies before). Nevertheless, in the new Law University Council is the main governing body at both faculty and university levels. It is composed of academics (2/3), students and representatives of the government (1/3 equally divided among these two groups). The Council's role is to elect Rector/Dean, to adopt the statute of the university, and to deal with financial issues of the HEIs (§51-§53). Executive Officer is Rector at the university level and Dean at the faculty level. They are selected among academics by the University/Faculty Council. Rectors/Deans role is prescribed in the statute of the HEIs (§54). The professional body of universities is the Senate and of the faculties the Academic Council. These bodies are dealing with issues of teaching, learning and research. (§55). Finally, each university now has the Student Parliament composed of student representatives. The roles of Executive Officer, The Professional Body and the Student Parliament are fatherly elaborated in the statue of HEIs, and in that respect the Law from 2005 is much less descriptive then the previous one.

The question of university integration was not resolved in the new Law. The Univeristy Law (2002) prescribed that both universities and faculties are separate legal entities (§2 and §6), and said nothing about university integration. The solution in the new 2005 Law, even though it represents some progress, is still rather confusing. On one hand, The Law on Higher Education (2005) states that university have to integrate the functions of all member faculties (§48), but on the other, it still guarantees separate legal status of faculties (§47). In reality, there were only minor reforms towards the integration, and most of the public universities are still highly fragmented organizations (some new public universities, such as the one in Novi Pazar

are integrated). The National Strategy for Education Development introduced the concept of so called functional integration as a goal until 2020 (Ministry of Education and Science, 2012), but this only represents the call for better cooperation between the faculties and not a real solution.

5.3. Recommendations for the Way Forward – Why, What and How?

The main purpose of conducting interviews with Serbian stakeholders was to check if the solution applied in HE reform in Europe can be used in Serbian context. Based on these interviews, the main problems in Serbian HE governance have been identified. These represent the *why* of the HE governance reform. Also, different solutions and the way of their implementation will be discussed, and this represents "what" and "how" of the reforms. In sum, the Chapter five will provide three recommendations for external governance reform and two recommendations for internal governance reform.

5.3.1. Recommendations for External Governance Reform

The first topic in the interviews with Serbian stakeholders was the Law on Higher Education from 2005. Interviewees were asked to state their opinion on the solutions presented in the Law. Out of seven interviews, six claimed that the Law had some positive effects on the HE system and governance, but bad solutions prevail in this legal act. Only one respondent stated that the Law had no single positive effect, and that it has actually downgraded the entire system. Concerning the major problems with the Law, interviewees named bad implementation; the fact that the Law is too descriptive in some sections and on the other hand some problems have not been tackled at all (HE funding, university integration and social dimension of HE are just few examples); and finally that that the Law was drafted by the academic community and because of that it favors this group too much, while the state influence is completely marginalized. As an example of a positive solutions in the Law, a respondent from the group of HE experts stated:

> *The largest impact of this Law was that it entirely changed HE framework, and even more importantly the mindset of both academic community and the policy makers. For the first time the clear message was sent: "we want to change HE system". From the sociological perspective this is the most important impact of the new Law. Serbian HE system cannot be changed easily, but the 2005 Law was the start. The Ministry introduced some of the most important changes* {related mostly to Bologna } *back then* (Int. No. 12, 26.3.2016).

The former government official in charge for HE pointed out the negative effects of the Law:

> *Since the Law from 1998 was misused by the state to put the academic community under control and to diminish university autonomy, the universities became suspicious of the state. That is why the new government* {after 2003} *decided to allow the academic community to the draft the new Law on its own. We in the Ministry tried to introduce*

some changes in line with Bologna process and unfortunately we failed {government fell because of the assassination if the Prime Minister}. *Then, the next working group for drafting the law borrowed some of our solutions, copied them, and adopted them to suits to the interests of the academic community. That is how we ended up with the Law which has all the necessary elements, but without any implementation mechanism. As a result we have the system which dos not function well for almost ten years* (Int. No. 10, 13.5.2016).

The Law introduced Bologna structure and the system of quality assurance and accreditation. It was also the first reform Law to introduce some major changes in HE since the country's independence in 1991. On the other hand, the analysis of interviews, available literature and the Law itself proved that all the major issues in HE, such as university integration or the funding system have not been tackled. In the case of integration, the Law provided very confusing solution, and it was clear that it cannot be implemented as such. On the other hand, the level of academic community's influence on HE is high, taking into account that majority of places in CAQA and NCHE are occupied by the academics. Even in those bodies where the state has its own representatives, they usually occupy less then $1/3^{rd}$ of the places.

Recommendation I: *The Government should draft a new Law on Higher Education in the near future. The working group for drafting the law should be composed of representatives of all major stakeholders in the society, and their work should be transparent. The policy makers should also take serious part in this process and try to create an outcome which would balance the interests of all stakeholders, and not to favor one group, since HE is a public good and it should be treated as such.*

All respondents in the thesis agreed that top-down reform strategy is needed for a successful outcome. In almost all EU case studies, at the time of the HE reform, the government was composed of conservative parties, with the strong majority in the parliament or a stable coalition. Today's situation in Serbia is similar to that. After the election earlier this year, the conservative Serbian Progressive Party won the absolute majority of seats in the Parliament, and now can exploit this success and use wide support it has to push the reform process forward. Government can expect the huge resistance from the academic community, but this was the case in all EU case studies, and the reforms were more or less successful. The major resistance can be expected from the flagship university in the capital city, as the biggest and the most influential public university in the country. However, as one of the interviewee from the HE expert group suggested, government could build a coalition with private universities, other public universities in the country which are more reform oriented, and even with some faculties within the flagship university who are not satisfied with the current situation. In addition, policy makers can attract students to their side by meeting some of their demands, and thus try to avoid large protests in the country (Int. No. 6, 27.3.2016).

The second question to Serbian HE stakeholders was related to their opinion on the relationship between the state and HEIs and the level of autonomy HEIs have. All interviewees

agreed that the government was not willing to pay much attention to HE sector, and that this can even be considered equal to a complete negligence. Reduced role of the state is also a result of some new solutions in the Law. All of the respondents also consider that the policy makers see HE only as a necessary cost, and not as something which can be used for creating economic growth. Finally, when it comes to academic freedom and institutional autonomy, all of the interviewed stakeholders believe that it is too high as a result of the state negligence. One Serbian HE expert's view on this issue (Int. No. 6, 27.3.2016) describes the views of the majority of respondents in terms of the new state role in HE:

> *In 2001, after the democratic changes in the country, the government rushed to reform the HE system. At that time policy makers had clear goals for HE transformation, and they were also following the developments on the European level. Their approach to the reform was systematic and many other stakeholders took part in the process. However, after the government changed in 2003, the state withdrew from the entire process and this reflected on the decreased role of the state in the new Law. Before, some of the issues such as financing policy were in the hands of the state. Since 2005, financing policy is also the responsibility of NCHE. Many responsibilities shifted away from state (this is what happened in some other countries too, but only after wide discussions) and transferred to the hand of academics. If a proposal does not come from the NCHE or University Conference, it would be difficult for the state to do much about it on its own* (Int. No. 6, 27.3.2016)

Indeed, the analysis of all the data showed that the state withdrew from the HE system more that it should, compared to the situation in other EU countries. However, Serbia is not unique when it comes to this problem. For example, in the case of NRW, thesis research showed that both the Ministry and expert taught that the state gave up more responsibilities than it should, and in the most recent Law this was changed (again causing some negative reactions from academics). Interviewees from Serbia complained that even those places in the University/Faculty councils belonging to the state (always less than 50%, usually $1/3^{rd}$ of the seats) are sometimes not occupied or this is done only because the Law prescribes it - without any state intentions to affect the decision of these Councils.

The issue of autonomy was also significantly present in the interviews. All seven stakeholders from Serbia agreed that autonomy is too high, not because of the new Legal Act, but only because the state lacks the interest to manage the HE sector properly. One HE expert's response describes the thinking of majority of interviewees:

> *...we can say that autonomy is rather high, but only because accountability or responsibility demands does not exist. I am afraid that if we ask set accountability requirements it would cause a huge opposition. There are some quality assurance mechanisms and accreditation procedure, but all of this is as a result of a compromise, which leads to autonomy without clear responsibility or accountability. If something goes wrong, you only have so called collective responsibility, and cannot blame anyone directly. In the end, no one is guilty, because you cannot say where the problem came*

from (Int. No. 8, 8.4.2016).

Another issue is that the government is also not very agile to fulfil its obligations towards the HEIs:

Institutional autonomy has no limits and accountability does not exist because any demand in terms of results meets the huge reaction. Academics immediately start saying that autonomy is endangered. However, the problem of accountability has two directions. On one hand, the state is not accountable to the HEIs since it does not provide required funding. To compensate this shortcoming, the state allows HEIs huge autonomy and does not ask HEIs for any outputs (Int. No. 10, 13.5.2016).

Recommendation II: ***The government should pay more attention to HE and take the full responsibility coming from the fact that the state is the main financier of the HEIs. Since HEIs should also fulfill its public mission, the state should monitor this process. In terms of university autonomy, it should be increased but only after public universities are integrated, and its management is strengthened. In addition to autonomy, state should increase accountability requirements.***

As in the previous question, the experience of EU case study countries can be used in Serbian context. In the beginning, state should be more agile in filling those places in the NCHE and University/Faculty Councils. Then, the new Law can introduce a new body composed of at least 50% of external stakeholders. Members of this body should be appointed by the government, and their main task would be to monitor and approve university actions and development, as it is done in Austria, Netherlands and NRW. In addition, the system of quality assurance and accreditation should be improved. Finally, the Ministry should fulfil its obligation from the Law and start paying more attention to HE development and planning. By doing all these things, government can show that it really cares about HE and has a plan for the future. In addition, all four types of institutional autonomy should be increased, but only after the university integration and clear division of responsibilities between the HEIs and the state, as it was done in Slovenia.

The final question concerning external governance relates to funding system and the role of the markets in HE. All seven interviewees agreed that the current funding system is not good and that it should be changed. As the major shortcomings they see (1) the outdated regulation for HE finance; (2) the line item budgeting not being flexible enough; (3) the input nature of the funding; (4) the fact that the state is transferring money directly to faculties and not to university; (5) the huge differences in terms of public funding for deferent faculties within the same university; (6) still weak role of the markets in HE; and finally (7) the fact that HE is largely underfunded in Serbia. Six out of the seven respondents believe that HE reform should start with the introduction of a new funding model. However, there are different views on how it should be done and what kind of model is needed. Five out of the seven interviewees believe that under certain conditions (in most of the cases, this condition is university integration) lump-sum model can be applicable in Serbian context. Also, they believe that

performance-based budgeting is possible, but that there is a problem with performance indicators. Finally, the huge resistance of the academics who would not be willing to accept the output-oriented funding system can be expected. One respondent explained:

I believe that the lump-sum would be a good solution, but we have to be careful, because there are capacity issues. Who decides how to distribute the money and on which level? Introducing lump-sum on the faculty level would be a bad idea. It has to be done on the university level. However, that would require abolishing faculties as separate legal entities, but I think it will not happen any soon in Serbia. Regarding performance-based funding, I do not think that focusing only on it would be the right option, because you always have a very tricky question – how to measure performance? We cannot avoid imperfection of this system (Int. No. 9, 2.6.2016).

The Rector of the private university is in favor of full reliance on the market mechanisms and he would introduce the voucher system:

The state should ensure equality in the funding system. It has to create a new system in which it would finance not the HEIs but the students. The government should make a plan, and decide on a number of students in certain disciplines. And then it can provide vouchers for which students can apply. In the end, the student who gets the voucher can choose to go to either public or private HEIs. In that case we can compete on a fair basis (Int. No. 7, 4.4.2016).

However, two other respondents raised their concerns that the voucher system would mean complete reliance on the market and that can create problems in the future. They gave examples of countries where the voucher model failed, because of not well developed quality assurance and accountability mechanisms, like Georgia and compared the situation with Serbia.

Recommendation III: ***The government should create funding system which would be based on both input and output criteria's. It can be formula based, lump-sum funding. Some percentage can be distributed by using performance indicators (5-10%). Then, the funding has to be distributed to universities directly. Finally, the state should increase its investment in HE and emphasizes diversification of funding streams, so that HE markets can play a greater role.***

All countries in the EU case studies introduced some combination of lump-sum and performance based funding, and Serbian policy makers can consider these options after the university integration. The positive thing at the moment is that faculties have autonomy in using the funds earned on the HE market from tuition fees and other sources. Serbia should follow Slovenian example, and allow faculties to keep their own income after integration. Also, Slovenia tested the lump-sum and performance based funding first and this is something that Serbian policy makers should also consider before rushing into fast, untested solutions.

5.3.2. Recommendations for Internal Governance Reform

In terms of internal governance changes, two important topics are discussed with Serbian interviewees. The first one is the integration of public universities, identified both in the literature and interviews as the most serious issue of Serbian HE. The second topic is the collegial decision making and how it can be reformed.

Six out of seven interview respondents perceive fragmented university in Serbia as a major obstacle for the reform of HE system. They believe that it is the reason why the universities cannot have long term planning and why the state cannot implement any reforms systematically. The former government official even claimed that:

> *We recommended integration of university. In Serbia, universities do not exist - there are only loose confederations of faculties. The Ministry wanted to integrate universities and to create study programs instead of faculties. This would lead to diversification. However, this was opposed because many deans and other officials would be left powerless. Professors would have to adapt to multidisciplinary studies (students could choose different courses from different disciplines), but they were not ready to do so* (Int. No. 10, 13.5.2016).

From the literature, interviews and the Law, but also from some other documents (Strategy for Education Development 2020) it can be noticed that there is a tendency towards the integration of the university. However, all these sources pointed at the academic community and faculties as the major opponents of university integration. One of the reason for this is the potential loss of substantial freedoms faculties have at the moment. For example, faculties are separate legal entities, and the government transfers funds directly to them. Then faculties give one small share of that money for the university administration. Also, faculties can keep all the money they earn on the market (from tuition fees and third party funding) and have substantial freedom to use these funds as they desire. In the case of integration, faculties are afraid that they will lose all those benefits. However, all the other stakeholders are in favor of integration, and they perceive it as the first step towards increased autonomy, better planning and accountability.

Recommendation IV: ***Government should integrate universities by Law, and give them a status of separate legal entities. At the same time, this status should be taken from faculties. Administration in public universities should be strengthened and all internal functions should be integrated. Then, the reform of the funding system can be done, and the Ministry can start transferring money directly to universities in the form of lump-sum budgeting. This funds then can be divided internally according to university needs. However, faculties should be allowed to keep the money they earned on the market.***

Slovenian and Dutch experience can be very useful for Serbia. Slovenia also had fragmented universities and had huge opposition from the faculties towards the integration. However, after the decision of Constitutional Court, universities finally became separate legal entities. After that the question of integration has not been raised again and all stakeholders

realized the benefits of this reform. Universities became much more efficient and effective in their actions, and had much stronger voice in the negotiations with the Ministry. The Netherlands also had powerful departments at universities, but after the recent reforms these were abolished and Deans got much stronger roles instead.

The final topic discussed with Serbian policy makers is the role of collegial governance. Most of the interviewees focused on external governance and did not talk much about this issue. Only two important topics came up. The first one is that academic community is not as strong as it used to be. The other one is the current collegial governance structures are not very efficient when it comes to decision making. All respondents agree that collegial governance should be reformed. However, they see this happening only after the university is integrated and central bodies such as the Rector and Deans are strengthened. One HE expert argued:

> *I believe that neither managers (Deans and Rectors) nor the academic community are ready to take full responsibility at the moment. And I have to say again that our academic community has been weakened during the past few decades. If we give more power to Rectors and Deans in the current situation, my belief is that they would wait for the state to tell them what to do* (Int. No. 9, 2.6.2016).

The main point here is that academic community is not ready to take the full responsibility for managing integrated universities, and neither are Rectors and Deans who are also elected from that same community. That is why Serbian policy makers can use the experience of the five EU case studies and create a balanced system between complete collegial decision making and complete centralization of power in the hands of professional managers. In all EU case studies, the power of university management increased, but the voice of academics can still be heard. They still take part in decision making process either on a formal level (Finland and Slovenia) or more informally (in Austria, Netherlands and NRW). The Rectors of public universities should be appointed by the new Supervisory Board composed of external stakeholders (at least 50%) and his/her function should be empowered. Rector then can appoint Deans, as it is done in Netherlands. Rectors can be selected outside of the academia. At the same time, some important functions should stay in the hands of the academics (University Councils), because they sometimes have the best knowledge on what is happening *on the ground*. This system of checks-and-balances can be used to satisfy all sides, and to increase efficiency and effectiveness of the HEIs decision making.

Recommendation V: *The function of Rectors and Deans should be strengthened, as it was done in five EU case study countries. This can be done only after university integration is complete. There should be a chain of command from the new Supervisory Board who would appoint Rectors, to Deans who would be appointed by the Rectors. At the same time, some important decision making functions should remain in the hand of University Council, even though it should have a predominately advisory role. This would create a stem of checks-and-balances and satisfy all the parties.*

Chapter 6: Conclusion

This purpose of the concluding chapter is twofold. First it will revisit the research question, overall research aim and individual research objectives, and make sure that the research question is answered and research aim and objectives are fulfilled. Then, the chapter will also point on some limitations in the study and explains how the results of this research contributed to the existing knowledge of HE governance in European and Serbian contexts.

6.1. Research Question, Aim and Objectives Revisited

The thesis main research question was presented in the introductory chapter of the thesis. However, it will be useful to revisit both the research question and the research aim and objectives. The main research question of the thesis was:

What can higher education policy makers in Serbia learn from recent and ongoing reforms of higher education governance in European countries, and how can this experience be used for higher education reform in Serbia?

Main research question also contained the main research aim, and it was fulfilled completely by achieving four individual research objectives:

1. Explore the origin, meaning and importance of governance in higher education;
2. Identify the theoretical foundations of governance reforms in EU case studies;
3. Analyze different stakeholder's views on current HE governance arrangements and possible future reforms in the EU case studies and Serbia;
4. Formulate recommendations for Serbian HE policy makers based on EU case studies experience with HE governance reforms.

The first individual research aim was completed in the first and second chapter of the thesis, where the HE governance and other related terms were defined and their origin explained and analyzed. Then the Literature Review section managed to identify NPM and RDT as theoretical explanations of HE governance reforms in five EU case studies. These theories have also been used in the chapter four, where they were applied in five EU case studies context. When it comes to third individual research objective, it was achieved in the fourth chapter. HE governance reforms in five EU case studies were presented, by analyzing interviews with HE experts, official government documents and legal acts, and other literature. The data was triangulated and presented by using governance equalizer tool. Finally, the chapter five answered the main research question and accomplished the overall research objective by using multi-faceted model of organizational change. In this chapter five recommendations were proposed for the future HE reform in Serbia based on the experiences of five EU case study countries.

6.2. Limitations

There are a certain number of limitations and problems encountered in this thesis. This sub-section presents the most important ones, related to research strategy, data collection, and

data analysis. Firstly, thesis uses multiple case study as a research strategy. Even though this research strategy fits best its research aim and individual research objectives, it also has some problems recognized in the literature. According to Schell (1992) there are two main issues related to case study as research strategy: (1) it is labor intensive, and requires much more work than other research strategies, thus putting additional stress to the researcher; and (2) compared to quantitative research, only a few conventions are available for the researcher to rely upon in order to defend him/herself against self-delusion or the presentation of 'unreliable' or 'invalid' conclusions (p. 8). With a view to prevent unreliable conclusions, triangulation of data will take place. In the case of EU case studies, legal acts, literature and interviews from experts are compared. When it comes to Serbia, first, different stakeholders views are compared, followed by comparison with the results of the five case studies.

The second limitation of the multiple case study approach relates to the number of case studies. On the one hand, looking into only five EU cases cannot be sufficient for making generalizations about HE governance changes in Europe as a whole, but only for marking some general trends. On the other hand, since case study approach requires in-depth research of one case, it is a very time-consuming activity. In that sense, it may seem that even five case studies are too much to take, given limited time frame. For this reason, finding the right balance is the key. That is why thesis took into maximum account number of case studies as possible to capture some general trends about HE governance reforms, but not at the expense of the quality of analysis.

Finally, third important issue worth mentioning is related to interviews. It is especially critical when it comes to EU case studies since only one person was interviewed per case. The initial plan was to interview different stakeholders, at least three per case study (government official, dean/vice rector/rector from the academia and HE expert), as it was done in the case of Serbia. In the beginning, it seemed achievable, as all the interviewees had at least two roles: usually, they are HE experts and at the same time have a role in university (either as academics, managers or both). However, due to limited timeframe and problems with finding interviewees from the governments, this plan failed. That is why literature and existing research will be used to compensate this shortcoming. When it comes to Serbia, the number of interviews seemed sufficient. Experts from different spheres were contacted (students, HE experts, rectors and deans of public and private universities and finally former government officials) ensuring diversity in perspectives and opinions on the topic.

The author is aware that there are more problems and limitations in this research, and that even offered solutions might be insufficient. In that sense, there is always room for improvement.

6.3. Contribution to Knowledge

HE governance changes in Europe gained significant attention from the HE scholars in the recent decade. During the preparatory stage of the thesis, more than 400 sources related to HE governance were collected. Due to time and space limitation, less than 200 were used in

the thesis. However, these numbers can be used as an indicator of growing importance of HE governance in the European context. With so much material already available, it was a real challenge to find the research gap and to provide any significant contribution to the existing knowledge. However, the thesis successfully accomplished this objective as well.

European case studies analyzed in this study gained much attention from HE scholars from 2000 until 2009. There were various OECD, CHEPS, Eurydice and EUA reports on the topics of HE governance and funding in the European countries. However, in the period after 2009 number of sources decreased (at least looking in the documents collected for the purpose of the thesis), even though HE governance reforms kept happening. For instance, in all EU case study countries, significant changes happened after 2009. In Finland, the new Law on HE was passed in 2009, and in NRW in 2013. In the Netherlands, government started using performance contracts for financing their HE institutions and Slovenia founded the Accreditation Agency, after a decade of failed attempts. Further changes happened in Austria as well. All these changes were described and analyzed in the thesis, and by doing so dissertation contributed in widening knowledge about this topic in Europe.

Second contribution, also in the European context is related to refreshing the existing knowledge about NPM and RDT influences on governance reforms. Almost ten years has passed since Boer et al. (2007) used governance equalizer to explain the NPM influence on HE governance changes in four European countries. This thesis used three out four countries from their study (Austria, the Netherlands and Germany – NRW) and it showed if those countries *improved* their position in the equalizer or not. Also, two countries which were not in the 2007 study were added – Finland and Slovenia. Their position was also analyzed and compared with other countries, and NPM desired levels in the equalizer.

Finally, looking from the Serbian perspective, any new study about HE governance is more than welcomed, since there are not many sources on this topic published neither in Serbian nor the English language. This shortcoming is mentioned in almost all available literature about any HE topic in Serbia and the Western Balkans. HE governance proves to be even more important since the previous Serbian government started to draft a new Law on Higher Education. In the meantime, elections were held in Serbia, and the same conservative party won the absolute majority of seats in the parliament again. This means that government can continue with the HE reform with even greater confidence, because European countries from this study showed that major HE reforms happened mostly when the party in power had conservative political orientation and majority of seats in the parliament (or it was in a stable coalition). This study, and especially recommendations provided in the final chapter can definitely contribute to the reform process and provide a new perspective on solutions available for Serbian policy makers. If the government for some reason decides not to continue with the reforms, this thesis will then contribute to some further research on the topics of HE governance in Serbia.

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Appendixes

Appendix A: Original Austin's (2009) Conceptual Framework

	Antecedents - Forces for & sources of change	Content - The scale, level/order, focus.	Process – Strategies adopted.

Internal Stakeholders – role & influence	Performance Aspirations
	Institutional coherence
	Relational cohesion
	Threats of Competition
		Scale: Incremental change
		
		Focus: Managerialism within collegiate archetype
			Initiation:
			    Problem identification
			    Data gathering
			    Data Processing
			    Recommendation for action
			Negotiation
			Implementation

External Stakeholders – role & influence	Desire for increased access	Responsiveness to stakeholder needs	Initiation:
			    Problem Identification
			    Data gathering
			Negotiation

Figure 1. Conceptual Framework

Appendix B: Interview Questions Sample

Interview Questions

External Governance

1. How would you describe reforms which occurred in (country) after the adoption of Law on HE in (year)? What were the positive and negative solutions in the most recent Law? Locking at different stakeholders, who was in favor and who was against the reform?
2. In Europe, there have been changes in the relationships between the state and HE system (decentralization) regarding deregulation, increased autonomy for HE institutions (HEIs) but more demands regarding accountability (evaluative state). Does something similar happened in (country) as well? How would you describe the relationship between HE and the state in (country)? Does the state see HE as necessary cost or as a sector with a lot of potential where it should invest (knowledge economy)? What do you think about these reforms and how the new solutions operate in practice (can be applied)?
3. One of the trends related to HE governance reforms in Europe is the increased level of institutional autonomy for HEIs. What do you think about the current level of autonomy of (country) HEIs? (4 types of autonomy)
4. More autonomy usually means more accountability. How much reporting universities in (country) have to do, and is there something like performance contracts? Does universities have to align their strategies according to government demands?
5. There has been evident in Europe that state has been delegating its powers to other levels (shift from government to governance): upwards – EU, downwards – local governments, outward – NGO, private agencies. Are there some similar tendencies in (country)?
6. EU and its programs and processes had some effect on HE governance reforms in European countries (EHEA, Lisbon Strategy, and Bologna Declaration)? How would you describe the influence of these factors on (country) HE governance?
7. What would you change in external HE governance in (country)?

Internal Governance

8. One of the most important aspects of HE reforms in Europe was strengthening HEIs as organizations (by giving more power to rectors/vice-rectors, middle management and reducing the power of collegial bodies). What is the situation in (country) regarding these issues? What do you think about these changes? How (country) system operates in practice?
9. (For Serbia only) What do you think about integration of public universities?
10. One of the main reasoning behind strengthening HEIs as organizations in the literature was that the old internal governance structures were not able to respond to changes in the HE market and the society in general. What is the situation in (country)?
11. What do you think needs to be changed in internal governance of (country) HEIs?

Funding and HE Markets

12. What do you think about the current system of funding for HE? How dependent are public/private universities from state funding and are they less dependent after the reforms in 2005? What do you think about performance based budgeting and would it be a good solution for (country)? What do you think that should be changed in the funding system?
13. How you see the role of the market in our HE? Is there a real competition or is this a quasy-market? And in that sense, what's your opinion on the role of private universities in (country)?