Convergence or Divergence in International Higher Education Policy

Lessons from Europe

European higher education has been undergoing major restructuring since the early 1990s. Many elements of the reform taking place—such as strengthening institutional leadership, establishing governing boards, enhancing quality and accountability, and applying performance-based budgeting—resemble practices in the United States. Yet, unlike the United States, where the external environment is the major catalyst for change, state ministries’ policies or EU agreements are most responsible for European transformation at the institutional level. Barbara Sporn, vice-rector for international relations at the Vienna University of Economics and Business Administration, analyzes European higher education reforms and institutional responses to them. She notes that the major driver behind these efforts is to make institutions more competitive, entrepreneurial, market-oriented, and efficient and effective.

New Public Management in Europe

Many European countries have experienced a wave of approaches to restructuring the public sector (including health care and social services, as well as higher education) based on new public management (NPM), which some researchers have broken down into four basic models representing different stages and points of departure: (1) Efficiency drive. This model’s primary goal is to make the public sector more businesslike, mainly by focusing on efficiency. (2) Downsizing and decentralization. This model emphasizes flexibility and unbundling of vertically integrated organizations. (3) In search of excellence. Obviously influenced by the best-selling 1982 book, this model represents the human relations school of management, with a strong emphasis on change by affecting organizational culture. (4) Public service orientation. This is the least-developed NPM model, representing a fusion of public and private management ideas.

NPM methods have been applied to higher education in different ways in different countries across Europe. While many reforms reflect a mix of NPM models, dominant trends over the last decade indicate that the fourth model—public service orientation—in combination with the second model—downsizing
and decentralization—best describes the major reforms of Europe’s public higher education system.

Higher Education Reform in Europe

Five key trends reflect NPM techniques used by higher education to meet challenges posed by demands to restructure the public sector: institutional autonomy, expansion and diversification, harmonization, marketization, and the quality movement.

Institutional autonomy in Europe implies a changing relationship between the state and universities. The state has moved to a supervisory role by delegating much of the decision-making power to the leadership and governance of the institution. On the one hand, rectors, deans, and directors have been empowered because influence has been redistributed to the top of the institution and away from the individual chair professor. On the other hand, boards have been created to represent taxpayers and the general public as the “owners” of higher education. Faculty senates have been losing power—the extreme case being the Netherlands, where the senate’s role has been cut to advisory.

The expansion and diversification of higher education refers to widening access to colleges and universities. European states realize that an educated population will improve their economies. New types of higher education institutions have been implemented, including Fachhochschulen (vocational training colleges), virtual universities, specialized colleges, and private universities. Expansion and diversification have greatly increased the competitive environment for universities.

The trend towards harmonization is strongly related to internationalization of European higher education. The traditional academic program structure, with students moving directly from high school to a specialized education, is in the process of being replaced by a two-cycle structure, with baccalaureate and master’s programs followed by doctoral studies. Additionally, postgraduate and continuing education have become more important—both as institutional revenue streams and to fulfill the job market’s need for lifelong learning.

Marketization is probably the most dramatic change in European higher education. Many researchers have noted the move of colleges and universities toward more entrepreneurial, adaptive, and market-oriented behavior. On the system level, the higher education market has diversified, and the mobility of students and staff has increased. This implies competition among institutions for all kinds of target groups. On the institutional level, marketization means privatization in the sense of pushing universities into adopting more private-industry mechanisms, such as financial controls and accounting, or a profit-center philosophy. Professors and staff are becoming more entrepreneurial. Revenue sources are more diverse, with tuition being one source of income. Finally, longer-term performance-based budgets create the need for financial management techniques.

Quality is one of the biggest reform issues in Europe. Internally, quality concerns the increased need to assess performance; most prominently, teaching has been subject to standard evaluation. Although this may be generally accepted procedure for many U.S. institutions, Europeans have had to get used to this practice. The use of evaluation results is mixed, ranging from their consideration in promotion and tenure decisions to their use in individual self-reflection.

Externally, the quality issue entails accountability measures and accreditation procedures. While many state ministries have withdrawn from their traditional roles, new procedures have had to replace their past authority. Institutions of higher education are becoming more accountable for their activities—for example, they have to report to their boards about their yearly performance. Further, performance-based budgeting requires colleges and universities to manage efficiently and deliver services defined by a contract.

Accreditation is a new phenomenon in Europe and is strongly connected to issues of quality. Different organizations and institutions offer services, ranging from sup-

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port with self-assessment to quality control. Their techniques include site visits by peers and institutional self-studies followed by suggestions for improvement.

**Institutional Responses**

European colleges and universities are being pushed to quickly transform themselves into self-financed, high-performing institutions operating in a competitive market. Institutional responses include strengthened leadership positions, new university boards, accountability measures and evaluation, quality control, professional staff development, and performance contracts and global budgets.

*University leadership* has been strengthened throughout Europe due to the withdrawal of the state and the delegation of authority to the institutions. The position of the rector has moved from having been elected by the faculty senate to being appointed by the board, with many more responsibilities and enhanced decision-making power. Still, rectors are often faculty members chosen from within the institution, and “university managers” are hard to find in Europe. Comparatively low salaries play a decisive role as well. This situation is changing slowly as university leadership is becoming crucial and institutions need professionalized management.

A dramatic institutional response has been the establishment of *governing boards* at many European universities. Generally, the boards function as overseeing and governing bodies with the ability to control the activities of the rector and vice-rectors. Agendas range from election of the rector, approval of strategic plans and budgets, and discussions of future institutional activities. Internally, boards will become an integral part of universities, with influence over many areas, such as teaching and research. Externally, boards serve as a buffer between the institution and the public or the ministry representing the public interest. Board members normally are recruited from both the public sector (representing the ownership of public higher education) and the private sector, depending on the specific profile of the institution. It will be critical for universities to select this group or at least influence the selection process. Because the boards are rather small—fewer than 10 people in Austria, for example—discussion and screening processes will be intense.

Since state ministries have delegated most decisions to colleges and universities, *accountability* has become increasingly important. Some of the instruments used include performance reports by institutions and departments, standard evaluation of research and teaching, and periodic external reviews. Parallel, buffer organizations (e.g., accreditation agencies and national advisory boards) also assess institutional performance and report back to the ministries.

*Quality control* concerns core processes in teaching and research. Teaching evaluation has been implemented in many European countries. Standard questionnaires are used for course and teacher evaluation, although the use of results varies considerably. The evaluation of research is a more contested topic. Public policy makers and sponsoring foundations are increasingly requiring indicators to evaluate institutional research output. General trends show a focus on U.S. practices, particularly by using refereed publications and journals and research grant proposals as a basis for measurement. The United Kingdom is one such prominent example for research assessment.

*Professional staff development* has become an important issue at European universities. Many faculty and staff members are ill-prepared for the challenges of future institutional functioning and stand to benefit from personnel development schemes, including training administrative staff in leadership, financial management, and technology issues. While many universities now offer training in many areas, participation is still low—especially among the faculty.

*Performance contracts* are one of the more visible signs with which universities have responded to new demands. They are closely related to performance budgeting and global lump-sum budgets as a new way of financing higher education. Global budgets imply state funding based on constant and flexible components; budgets are no longer itemized by function but instead are negotiated for a certain period of time and allocated as a block grant. Thus, allocation of state resources will become more performance-driven.

**An Example: The Vienna University of Economics and Business Administration**

Austria is one of the more innovative countries in Europe regarding university reform. In mid-2002, parliament passed a new and far-reaching law that completely rede-
fined university functioning. The efforts of the Vienna University of Economics and Business Administration (WU) to implement this new legal framework illustrate how new structural arrangements are being planned to build an entirely new university organization.

The new leadership team’s goal has been to turn WU into an entrepreneurial institution. This task has been made easier by WU’s strong ties to industry. WU has used many of the reform issues as an opportunity for renewal but has also experienced resistance and problems, particularly concerning faculty buy-in, the reconciliation of academic and administrative processes, and the conflict between institutional and individual autonomy.

To respond to these problems and implement the new law, the university decided on a unique and innovative approach: the objective has been to turn WU into an autonomous institution by fall 2003. As required by law, three plans—related to strategy, organization, and personnel development—need to be developed and adopted. The planning process has been defined by WU leadership as an organizational-development exercise, and an external consultant has been hired to assist in the process and serve as a sounding board.

WU’s strategic position will focus on its strengths—namely its internationalization and breadth of offerings. Resources will be allocated depending on strategic business fields. Examples of such fields could be the bachelor’s degree in information systems, the master’s program in international business administration, and WU’s research program. There will be field managers or program directors (e.g., the head of the continuing education center or the director of the international business master’s program) responsible for organizing the work flow, asking for resources, or “shopping” at the production units (e.g., the department of economics). Contracts will define the relationship between field managers and production units. University leadership will oversee the structure, offer direction, coordinate programs, and provide necessary resources. All activities will be performance-based, using adequate indicators. Over time, a network of incentive mechanisms for all areas should evolve.

WU could develop into a matrix and process-oriented organization. Horizontal processes include teaching and research; vertical processes include support and management. Support would involve general administration such as the personnel office, computer center, and library. Management processes would involve marketing, financial control, strategy, communication, personnel, and organizational development.

WU is building a new way of shared governance to implement reform in collaboration with an external consultant. Success factors include a holistic approach, both in content and in participation, the creative use of external support for process monitoring, and a sounding board—all designed to leave the expertise surrounding what is good for the university inside the institution.

Conclusion

Overall, trends in higher education policy in Europe appear to converge toward a few key themes: internationalization or globalization, competition and market orientation, the use of new public management and strategic planning techniques, and an emphasis on quality and accountability. Differences do exist at the institutional level, since how colleges and universities deal with challenges and organizational changes can vary widely. Policy makers, campus leaders, and researchers would benefit from paying close attention to those differences. Important insights and ideas for improvement could be gained and shared so that higher education institutions can grow and change without having to reinvent the wheel every time around.

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