Steering approaches in higher education

Comparing Norway, Sweden, Finland, the Netherlands and UK (England)

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NIFU

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Preface

This report was commissioned by the Danish Ministry of Higher Education and Science and examines steering approaches in five European countries in light of recent trends in higher education governance and steering.

The study was conducted by NIFU, with a project team consisting of Mari Elken (project leader), Nicoline Frølich and Ingvild Reymert. Mari Elken has been responsible for writing the general introduction as well as the Dutch, English and Finnish case reports. Ingvild Reymert and Nicoline Frølich have been responsible for the Norwegian and Swedish case reports. Mari Elken and Nicoline Frølich have been responsible for writing the concluding chapter. The report has been quality assured by Sveinung Skule.

We are indebted to the experts who have provided their insights for the national case reports.

Oslo, 28.10.2016

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Summary

The aim of the project is to examine higher education governance and steering approaches in Norway, Sweden, Finland, the Netherlands, and UK (England). The principal focus is on the steering rationale and the relationship between higher education institutions and the state. The five countries are particularly examined in terms of (a) the relationship between higher education institutions and the state, examining distribution of authority, governance structures, including the format of institutional governance structures (i.e. boards); (b) key steering instruments in these countries, with focus on performance contracts and similar agreements that are used to support policy objectives.

The project was commissioned by the Danish Ministry of Higher Education and Science. In the case reports we have drawn from publicly available documents, existing secondary analysis, and a number of brief expert consultations with targeted informants (experts and/or policymakers).

The key conclusions from the report are that in all of the countries, there is a more pronounced emphasis on performance, either through performance evaluation or performance contracts of various kind. However, the specific instruments take a multitude of forms. The evidence we have collected in this study has not provided unambiguous evidence regarding the link between contractualisation and performance (as opposed to other kinds of instruments), also as the use of contracts in many of the countries is still rather new. Regarding institutional boards, the study shows that there appears to be a move towards increased use of external members, but significant variety in terms of scope and format of the boards remains. There is also variety in how chairs for boards are appointed or selected, and we have not been able to identify a causal link between the way chairs are selected and how the relationship between the state and higher education institutions operates. Instead, the relationship can be seen as the sum of various instruments, initiatives as well as hard and soft incentives. In four of the countries, the dialogue between the state and universities has become more strategic, and with different kinds of performance related measures being adopted. England is an exception here, going towards more clear market competition and deregulation approach.

The report is composed of four chapters. In the first introductory chapter, the design, focus and scope of the project is presented. In the second chapter, we examine key research literature regarding higher education governance, the recent shift towards using performance contracts and its implications, as well as recent changes in institutional governance structures. The chapter emphasizes that the often quoted shift towards using more market mechanisms in governance approaches has now been taking place for over thirty years. However, this shift is neither linear nor uniform, being contextually bound, blended with previous governance approaches, linked to changes in other sectors, and takes place on multiple levels of the governance system. Overall, one can thus find various hybrid forms of various steering rationales.

In line with the general trends in higher education steering, university governance on institutional level has been undergoing significant changes in recent decades, university boards and increased use of external members being one such example. However, there is still limited information about the direct causal linkages between organisation of leadership, and enhancement of quality and performance.

In Chapter three, the report examines the five national case reports, mapping key recent trends and reforms, outlining the use of performance elements in steering, and then describing the scope and format of institutional boards. In terms of emphasis on market logic and competition, England clearly stands out among the countries examined, in particular with their recent development of a teaching assessment framework (TEF) and restructuring of the governance structure towards stronger market emphasis. Also in the other countries emphasis on performance has become more pronounced. The Netherlands is characterized by high degree of experimentation, but changes have usually been proposed through dialogue and consultation, a characteristic that is argued to be an important element of the change dynamics. Among the three Nordic countries examined, Finland has moved furthest in terms of reforms towards more autonomy and performance emphasis. However, also in Sweden and Norway this has been an important trend in recent decade and in Norway a pilot is now underway with the use of performance contracts. Both in Sweden and Norway there have been some forms of agreements/plans that have been the basis for steering. In terms of institutional governance, in all of the countries one can identify an emphasis for more professional management, and there appears to be a shared idea that external members in boards are an important element in assuring more effective institutions and/or higher relevance. However, there appears be less evidence on the output and effect of this shift, and what the relationship to institutional performance has been.

In chapter four, these key results are summarized, and also seen in light of the literature examined in chapter two. The case reports have largely confirmed the key trends identified in Chapter two. Shift towards more autonomy, greater efficiency emphasis and focus on performance have been identified in all of the countries. However, the cases also show the idiosyncratic nature of such change processes, suggesting that performance contracts or contractualisation is being used as a solution for a range of different policy problems that are highly context-bound. Generally, while it is clear that all of these five cases have experienced substantial changes in recent decades, it appears that the more incremental and consensus based reform trajectories (i.e. Netherlands and Norway) have created less resistance and conflict in the system than is the case in more radical changes (i.e. market reforms in England).

In all of the countries there has been a strengthening of leadership functions and emphasis on strategic behavior of higher education institutions. At the same time, studies about appointing vs electing leaders have also shown that there are other institutional factors that can be more influential than the procedure. One aspect that is evident in the literature, and to some extent also in the cases, is the possible decoupling between the managerial and academic logic in steering, when the managerial power has been strengthened substantially. However, this has also considerable national variations, as can be expected, considering the contextual nature of change processes. An important conclusion here is that outcomes are rarely determined by a single instrument alone, but can be traced to a wider governance approach where multiple instruments and incentives co-exist and interact.

1 Introduction

In recent decades, a series of change processes can be observed in the way higher education institutions are organized and governed. Increasingly, focus is shifted to notions such as autonomy, professional leadership and efficiency, while higher education institutions are also expected to achieve high quality and demonstrate relevance to the society. These general reform trends have found multiple local translations in various countries.

The call for proposals by the Danish Ministry of Higher Education and Science noted the increased use of steering instruments such as performance contracts and institutional accreditation. While the Danish system is usually viewed as rather well functioning, there is emphasis on enhancing quality and relevance of Danish higher education. In order to consider revisions of current steering instruments, a project examining current governance approaches in five selected countries was announced with this call for proposals. In this context, the aim of the project is to examine higher education governance and steering approaches in Norway, Sweden, Finland, the Netherlands, and UK (England). The principal focus is on governance structures and steering instruments in these five countries, including a description of the steering rationale and the relationship between higher education institutions and the state. The project also includes a review of recent policy initiatives, relevant evaluations and reforms of higher education sector.

The five countries are particularly examined in terms of (a) the relationship between higher education institutions and the state, examining distribution of authority, governance structures, including the format of institutional governance structures (i.e. boards); (b) steering approaches in these countries, with specific focus on performance contracts and similar agreements that are used to support policy objectives related to performance in higher education sector.

1.1 Design of the study

The project has been organized in two main steps, first providing a conceptual baseline and overview of general trends, after which five cases reports are presented.

Stage 1: Outline of key general trends in higher education governance, with focus on changing patterns of authority and new steering instruments. This is explored in Chapter 2 of this report. In the chapter we build on existing secondary literature, as well as various reports and evaluations. This allows to a) provide a basic set of concepts for discussing various governance approaches; b) outline the main elements of the relation between higher education and the state and changing patterns in distribution of authority; c) highlight the specific characteristics of performance oriented instruments such as performance contracts as well as identify possible broader international variations. This forms an important backdrop to examine the developments in the five countries in this report.

Stage 2: In this stage, the case reports for the five countries (Norway, Sweden, Finland, the Netherlands, and England) were conducted. The data for such case reports was primarily drawn from public documents and secondary literature. A case template was developed, including current steering approaches (and how this is described in formal regulation), as well as key recent trends and changes in recent years. Our focus is both on universities and colleges/professional education, in the countries that have a binary higher education system.

We focus on current steering arrangements, the division of authority within the system, how the relationship between higher education and the state is configured and how various roles are described in formal legislation and guidelines. However, we viewed these in a broader context of that particular country and the context in which such changes have been introduced. Having this context sensitivity is important in order to provide an understanding of the specific aims and objectives that have been underpinning their introduction, as well as the specific configurations that have emerged in different countries.

The overall project is primarily based on desk research – outlining existing governance and steering mechanisms based on document data, as well as drawing on secondary literature. The selected countries are among the countries where there is generally a rather high degree of existing research on higher education, including both academic literature, but not least a series of reports and evaluations as well. This was complemented with brief phone consultations and quality check with selected experts and/or policymakers in each country to supplement possible gaps in data and to confirm existing information. Respondents include representatives from the ministry/agencies and key experts on higher education in these countries. Such respondents have been purposefully selected and contacted as appropriate, thus the project is not based on a systematic interview study and analysis. In some of the cases, information has also been provided in written form.

1.2   Outline

The report is organised in four chapters. The first chapter has this far presented the starting point for the project, highlighting the main themes in this report and the methodology employed. The second chapter will focus on key trends in higher education governance, by examining existing international literature on contractual arrangements in higher education and changing institutional governance. In the third chapter we present the five case reports in this project – England (UK), Finland, Netherlands, Norway and Sweden. The final chapter provides key conclusions and reflections based on this study.

2 Governance of higher education

In recent decades, there has been a gradual shift towards the use of what has been termed "quasi-market" mechanisms in literature about higher education – terms like the "evaluative state", "state supervision", and a "transformation of state steering", have flourished as a way to describe the changes that have been taking place in higher education governance in Europe. These debates to a large extent also follow a more general public sector reform agenda that has been ongoing in recent decades (Peters, 2001).

Changes have spread through all aspects of higher education functioning – increasing emphasis on performance funding, focus on performance contracts, changing patterns of authority within the system, and creating new forms for management and leadership in universities. A number of these broad change processes have been well documented in existing research in the last decades[1].

In parallel, a number of studies have observed the changes taking place *within* universities. With increased autonomy, there is increasing focus on professional leadership, increased use of boards in the institutional governing structures, and in general viewing higher education institutions as more "complete organizations" (Krücken & Meier, 2006; Larsen, 2002; Ramirez, 2010; Stensaker & Vabø, 2013).

Combined, these change processes have substantially changed the division of authority within higher education systems and how state steering of higher education is organised.

2.1 Governance patterns and modes

State steering can be understood as the institutional arrangements and instruments employed by the state to affect the behaviour of higher education institutions. A number of various models have been proposed to highlight the distinct patterns of relationships between higher education and the state, and the change processes that have been taking place in recent decades. One of the earlier models outlines the distribution of authority in higher education as shared between the so-called "academic oligarchy", the state and the market, shaped as a triangle where various countries can be placed (Clark, 1983). What this triangle suggests is that these three always balance each other in a coordination process.

Others have outlined four steering models where the state could take varying roles in a governance setting: a more top down hierarchical view of state control; state becoming the guardian of academic

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[1] (see, among many others: Bonaccorsi, Daraio, & Simar, 2007; Ferlie, Musselin, & Andresani, 2008; Frølich, 2005; Frølich, Waagene, & Aamodt, 2011; Gornitzka, Stensaker, Smeby, & De Boer, 2004; Hicks, 2012; Jungblut & Vukasovic, 2013; Maassen & Stensaker, 2003; Sorlin, 2007; Stensaker et al., 2013).

values reminiscent of the academic oligarchy mode; a market model with a minimal state role; and a corporate pluralist model with focus on negotiation and bargaining between various actors, state being one of them (Olsen, 1988). Studies that have employed these models have observed that there had been a turn towards more quasi-market mechanisms and self-regulation in Western European countries. However, this change is not always penetrate through all layers of higher education systems, "while the governmental rhetoric with respect to the steering of higher education has changed to reflect in many ways a (super)market steering approach, the underlying institutions (rules, regulations, instruments) have not been adapted accordingly" (Gornitzka & Maassen 2000). The way in which this shift takes place is thus embedded in local context, and various aspects of the models are emphasized in different countries. Characteristic to more recent work on examining the interplay of various steering models is that they all highlight hybridity. This hybridity implies that such stylized steering models rarely exist in ideal forms (Gornitzka & Maassen, 2000; Jungblut & Vukasovic, 2013). Any governance system is thus usually characterised by various competing models, and thus also various underpinning logics and rationales.

While one could view this discussion on models as a rather theoretical exercise, these analytical reflections are important to keep in mind when describing governance arrangements and changes that have taken place on system level, to try to make sense of this hybridity and complexity. The complexity can be identified according to four main arguments that build on the literature outlined above.

First, governance arrangements are contextually bound and related to wider societal characteristics in particular countries. Simply put, introducing precisely the same mechanism in two different countries will very likely have a different outcome. This has to do with wider cultural context of the country, and what is considered appropriate scope of change. This also has to do with the way in which change is introduced – proposing a top down change process in a country with tradition for deliberation and stakeholder involvement would likely have different dynamics than would be the case in a country where such change processes are commonplace. Thus, it is not only the proposed change itself, but the process through which it is introduced that also is of importance.

Second, and following the first argument is that, changes in steering models and instruments rarely lead to a complete system overhaul, any new arrangement will likely interact with existing arrangements (March & Olsen, 1989), as new reform initiatives also become intertwined with existing initiatives. Studies on reforms of any form of public administration have consistently shown that changes in most cases would be a form of a hybrid between old and new system. Thus, if a new initiative is introduced in a particular policy area, earlier initiatives need to be taken into account as well.

Third, specific national variations also mean that there is variation in how various sectors are coordinated. Thus, not only do new reform initiatives interact with wider societal norms and existing reform initiatives, they would likely also interact with reform initiatives in other sectors in that particular country. For example, changes in work conditions might also be under the jurisdiction of employment policies, or, the specific legal status of universities (i.e. being private self-owning corporations) might lead to universities having to address these specific legal frameworks in addition to law concerning higher education.

Fourth, not only do new initiatives interact with the existing system, changes can also take place on multiple levels, in some cases changes can take place just in instruments with the same overall reform ambition, in other cases a reform can be a change in rhetoric and discourse, with fewer changes in the actual instruments. Yet in other cases, new changes can be a "repackaging" of older initiatives, consistent with what is known about policy changes (Hall, 1993). In essence, adjusting instruments is easier than changing the whole policy "paradigm" and the norms underpinning steering in a particular sector.

Across the scope of various models, the state can employ various toolboxes to engage in steering. State steering takes place through specific instruments that can be employed on their own or in combination, drawing on resources such as information, authority, funding and organization (Hood, 2008). This means that institutions can be steered by both funding and regulation, but also through more indirect means. The choice of steering instruments is also embedded in existing norms and ideas regarding the appropriate relationship between higher education and the state, and the distribution of roles and authority within the system.

This brief overview points towards the necessity to view new governance arrangements in a context. Thus, for example, in the case of performance contracts, they can in some cases be a formalisation of existing agreements, that have been in place in an informal manner. This also emphasizes the need to view the wider reform context in the country, to understand the kind of change that is being introduced through the new initiative. Furthermore, this also points to some limitations to this study in primarily focusing on the formal aspects of steering arrangements, as one would likely find that informal practices can reveal additional aspects of how systems work.

2.2   Historical view on changing governance patterns

There is extensive literature documenting the to some extent extensive changes in steering of higher education in recent decades. The policy debates have frequently been anchored in perceptions of inefficiency and unresponsiveness of higher education systems.

Higher education in most European countries has a substantial share of public funding. This means that the expansion of higher education systems in the last decades has also meant expanding costs. The latter has in some countries led to increased cost-sharing policies, i.e. in England (see section 3.1. for an overview of recent developments). Overall, there is increasing disparity in terms of available public funding for higher education in Europe. The 2015 EUA public funding report showed that in 10 of the 20 European higher education systems examined, there was an increase in public funding. Among the cases here, Norway and Sweden are among countries reported to have best long and short term trajectory in terms of funding conditions. 9 of the 20 countries in the EUA study show a decrease in public funding, and the report also raises concerns about those Nordic countries who have now diverged from earlier high levels of investments. Of the five cases here, Finland is also among the Nordic countries that has experienced substantial cuts in public funding (EUA, 2015). This data shows that funding patterns are complex and varied, being an example of the varied patterns of public funding in European countries.

The perceived crisis of European higher education has also raised questions about governance of higher education, both on national and European level – where the view of Europe that is "lagging behind" and in need of modernisation is frequently emphasized in the policy domain (Olsen & Maassen, 2007). In a number of countries this reform dynamic is associated with focus on quality, relevance and efficiency, with an underlying assumption that higher education sector needs to be reformed and better organized to fulfil its potential. The policy solution to these issues has been an emphasis on autonomy, competition and efficiency, suggestive of an increased move towards a market model.

Changes in state steering with increased use of market mechanisms is still in focus in much of the academic literature. However, this shift has actually been underway now for over thirty years. The process was early on termed the "rise of the evaluative state", characterized by focus on evaluating outcomes, emphasizing the use if indicators, criteria, and targets (Neave, 1988, p. 13). The wave of changes that have been introduced with these aims has had consequences for all aspects of higher education – for example, emphasizing performance funding, new patterns for distribution of authority, as well as new forms of leadership and management within organisations. In terms of the models highlighted earlier, this marked a step away from both pure academic self-governance and direct state control.

Already in early 90s, the increased emphasis on autonomy and accountability measures was identified. The change pattern was also more broadly described as a shift from state control to state supervision, or in other words – from rational planning and hierarchical control, to decentralisation and evaluation measures (Neave & Van Vught, 1991). These shifts are sometimes in higher education governance literature associated with the spread of New Public Management ideas across countries (Frølich, 2005). Thus, while it is clear that one can at best have quasi-markets in higher education (Marginson, 2013), reforms with focus on increases in autonomy, deregulation, decentralisation, efficiency and improving performance have been high in the political agenda across a range of European countries.

The focus on performance measurement in research is also not a new trend. The Netherlands and UK were among the ones where this development was first pronounced (Westerheijden, 1997). Nevertheless, the way in which such systems operate in various countries can have substantial national variations, not least in how such evaluations are being received and followed up. For example, a study (Teelken, 2012) that examined this focus on performance and standardisation in England, Sweden and Netherlands, found that there is variation in how sanctions are followed up – while there were few sanctions in Sweden, penalties were more noticeable in the Netherlands and UK. However – the study also showed that the nature of sanctions had clearly different profile (academic vs administrative). Thus, despite similar managerial measures, the experienced impact differed (Teelken, 2012). While the study was primarily qualitative, one could argue that it also re-emphasizes the importance of viewing particular initiatives in a specific national context and translating global reform trends to a national context. Distinctly different reform trajectories can take place despite common reform agendas. Studies examining reform paths in the Nordic countries (Christensen, Gornitzka, & Maassen, 2014) or in the context of the Bologna Process (Westerheijden et al., 2010) have shown that similar reform agendas can also lead to rather different national patterns, pointing back to the importance of national contexts in such change processes.

The observed change processes also entails a form of hybridity, as accountability and evaluation processes themselves create new bureaucratic structures (Neave, 1998). Paradoxically, this means that autonomy reforms have thus not always led to more overall autonomy. Rather than being a case of reduced control, the reforms represent a transformation of control, or "governance by other means" (Gornitzka & Olsen, 2006). One example of this is the introduction of quality assurance mechanisms, where it would be an (semi-) independent quality assurance agency that would have the responsibility to monitor performance. While this can be seen as reduction of state control, in practice this can mean that universities need to demonstrate accountability to a new body. In this context, bodies such as quality assurance agencies or research councils have obtained more power. This shift has been studied in the case of Netherlands, where the shift of funding allocation towards more competitive research programmes has led institutions to be less dependent on direct government funding, but at the same time this means that other intermediary actors and other ministries have gained some control over higher education institutions (Enders, de Boer, & Weyer, 2013). While one can argue that direct state intervention with higher education might thus be reduced, the overall evaluation load on universities can remain the same, or even be increased. In research literature, this has been termed a transformation of bureaucratic control (Paradeise et al., 2009), further emphasizing the hybridity and multi-faceted nature of such reform trends.

However, these changes should not be seen in isolation, the kind of shifts that are being described in literature about higher education steering echo some of the processes of public sector reforms in general (Peters, 2001). While there have always been reforms of public administration and state steering, the more recent reforms in recent decades have been characterised by "changing change", where the speed and scope of continuous reform does not appear to be slowing down (Peters, 2001). Examining in a broader scale, the public sector reform wave in many countries started with a strong ideological argument regarding the supremacy of private sector and market approaches. The normative base for such reforms has been that such approaches can remedy the inefficiencies of traditional bureaucracy. Two distinct ways of introducing change upon change emerge – on the one

hand the more pragmatic and less ideological market focus as a coordination principle, and on the other a more reactive version where one is reacting to problems created by earlier reforms (Peters, 2001, p. 119).

An important change driver for such changes is the assumption that public sector and also higher education can be steered and managed like any other organization or private company. While higher education is not so unique that it does not share any features with other public sectors, it also has some sector-specific aspects that can distort or filter specific reform processes, if they are introduced in a one-size-fits-all manner.

2.3 Performance measurement – measuring the measurable?

As the way in which market mechanisms have been used in higher education has to some extent gone through a process of maturing, this rather simplistic focus of enhancing pure market competition has been reduced in most countries (a clear exception to this in Europe are current changes in England). The initial experiences have nevertheless increased the emphasis on accountability and the use of various indicators in steering mechanisms. Performance measurement relies on being able to identify a set of criteria or indicators, most commonly associated with measurable and quantifiable outputs, where goal attainment can be exemplified and shown.

However, performance measurement is usually a highly political issue. There is always a question regarding what is being measured and according to which standard (i.e. what is the threshold for "good" performance). It is clear that a shift towards more output thinking has been a key characteristic in most advanced higher education systems in the last decades, more recently also for the educational side of higher education (i.e. learning outcomes). Such indicators and standards do not emerge in a vacuum. The question of setting standards can be seen as an exercise of authority, and would thus be dependent on the scope of actors involved in such decisions and their relative opportunity to influence the process. In essence, it is a question of who is considered as a legitimate partner in deciding about particular issues and whether they are influential enough to assure that their preferences are heard.

A common critique in research is that not all important aspects of universities can be measured in this manner. Over-emphasizing on short time economic returns might threaten long-term research capacity, as major breakthrough research as a result of basic research cannot always be systematically planned with certainty. Another example of this is research output in the form of publications – by emphasizing research output one can lead to an increase in the quantity of publications, but it is thus not given that the quality would also increase. In UK, increases in quantity and efficiency have been demonstrated in recent decades. However, it has also been argued that the strong focus on efficiency could even have adverse effects on quality (Brown & Carasso, 2013). Part of the rationale can be found in the notoriously complex notion of quality in higher education, being multi-faceted, multi-dimensional, and poorly captured by single narrow quantifiable performance indicators. A study among academic staff in England, Sweden and the Netherlands found little reason to expect actually quality enhancement as a result of standardised performance focused measures. Instead, academics more often viewed these as administrative control (Teelken, 2012).

When higher education institutions are measured and rewarded according to specific narrow criteria one can also assume that it is performance on these criteria that would be emphasized, potentially at the neglect of wider societal mandate of higher education. The general argument is that sole emphasis on measurability can thus over time threaten some of the less tangible but still equally important tasks of higher education as a critical institution in society.

At the same time, these results are also not unambiguous. One example can be found in Norway, where the introduction of performance measurement in publication has also shown to have had positive impact on both quantity as well as quality (Aagard et al., 2014). However, the reform trajectory in Norway in this aspect has been rather different from the UK experience. This points back to the four

arguments of complexity outlined earlier in this chapter. Single instruments do not operate in a vacuum, and interact with the remaining of the steering instruments and governance approach. Focusing strongly only on measurement, performance, efficiency and strengthening managerial steering means that the potentially increasing cleavage between the managerial and academic logic needs to be taken seriously.

In sum, a narrow focus on performance measurement and evaluation is rarely objective and can also have particular unwanted side-effects, if not balanced by other measures.

2.4   Performance contracts: content, context and conditions

Focus on performance contracts can be seen as one form of this increasingly pragmatic view of the market in steering approaches. There has always been some sort of contract between higher education and the state, in particular as the state in Europe has been providing a substantial part of public funding for higher education institutions. This could also be seen as a form of outlining a "contract" – as the state did expect something back in return (knowledge, candidates, etc), even if this was not always explicitly formulated. One thus distinguishes between a broader "gentlemen's agreement" type of contract on roles and responsibilities, and a more formalized economic agreement in the form of a performance contract (Gornitzka et al., 2004). The earlier gentleman's agreement was principally an implicit social contract between higher education and the state - that is, what is higher education expected to contribute for the state. This kind of wider social contract is also not static, and has been under pressure for change in recent decades (Neave, 2006), having been an object for debate already in the 1970s (Jongbloed, Enders, & Salerno, 2008).

The economically and performance oriented thinking of contracts that has emerged in the last decades means that rather than having a long term implicit understanding, specific tasks, processes and outcomes are stipulated in a contract-like form (Gornitzka et al., 2004). In practice this means that contracts are increasingly explicit, that performance according to these contracts is monitored, and that fulfilling goals can have real consequences for funding. Such arrangements are also clearly placed in current more general reform trends with focus on quality, effectiveness, as a means to facilitate dialogue and accountability, and as a means to emphasize institutional profiling (De Boer et al., 2015).

However, the concept is not unambiguous. One could see performance contracts as a specific funding instrument, or as a broader steering system that outlines the relationship between higher education and the state (Gornitzka et al., 2004). Thus, performance agreements are in fact not a single instrument, but rather a principal idea that has significant variations. This principal idea entails that while higher education in the earlier thinking was being in "service to the state", it is now increasingly a case that higher education is a "public service where state 'happens to be' one of the funders" (Neave, 1998). Performance contracts do not only vary in terms of content, they have different names in different countries, including compacts, target agreements, outcome agreements and development plans among others (De Boer et al., 2015). In the most basic form, a performance agreement is an agreement between higher education and the state regarding goal attainment, where rewards are provided for fulfilling specific agreed upon goals (Neave, 1998). As such, contracts are essentially forward looking, outlining *expected* performance. What is important is that such contractual relationship can be renegotiated and it puts emphasis on performance elements (Neave, 1998).

There is also some ambiguity in the literature in terms of what is considered a performance contract – i.e. the extent to which one also includes more general contractual way of organising state-higher education relationship, or whether it refers to actual formalised contracts between the state and individual institutions. One should nevertheless clearly distinguish performance funding and performance contracts (De Boer et al., 2015) – where the former is focused on rewarding performance based on common threshold criteria, and the latter usually focused on designing individual contracts,

emphasizing specific differentiated profiles. One could argue that as steering instruments – the two would emphasize very different aims for the system.

Studies on performance contracts in Europe have shown the great variety of these arrangements also content wise (see, e.g. De Boer et al., 2015; Gornitzka et al., 2004; Neave, 1998). One key variable is the extent to which such contracts behave as "letters of intent", whether there is a financial incentive involved and how large this funding component is (a portion of funding, or even all available funding). The way in which such a financial incentive is linked to performance can also vary – i.e. whether funding is distributed prior to the performance agreement as conditional funding, or whether it is distributed later based on demonstrated performance (De Boer et al., 2015). One could argue that if there is no funding attached to the agreement, such a contract would primarily be a more explicit form of earlier "gentleman's agreements".

A workshop arranged by the European Commission in 2014 identified three main approaches: contracts as a mode to negotiate up-front public funding (i.e. Austria); contracts that are a part of an output based funding system in general where contracts take a more strategic function (i.e. Finland); and as contracts with explicit financial consequences (i.e. the Netherlands). However, the workshop report also highlights that these three main models are not exhaustive and that a range of additional arrangements can be found (The European Commission, 2014).

Furthermore, contract arrangements also interact with other instrument and practices, and are not introduced in a vacuum. The rationales for introducing performance contracts vary according to the specific national institutional context. While commonly associated with reforms towards more autonomy, this is also a claim that needs to be embedded in the local context. For example, in countries with a strong tradition for academic self-governance with low public interference, the introduction of a contractual arrangement can represent a means to create an accountability mechanism and in that way *increase* some form of state control. In countries with a tradition for a more state control, a contract can be a substantial step towards introducing more autonomy.

While autonomy is frequently highlighted as an important aim, it has also been highlighted that this is dependent on the way in which such systems are constructed (broad vs narrow) and existing national conditions. Their linkage to autonomy is thus dependent on the scope of specifications in the agreement, and the more detailed the agreements are, the more they can also become proxies for control, as detailed provisions would reduce the strategic leadership capacity at the institutions. In addition, the way in which performance contracts would function is also dependent on other policies and instruments. For example, general policies for student support or the general regulative environment for higher education institutions influence how contract arrangements play out in practice.

Balancing these concerns is essential for the system to have a desired outcome. For example, when a 5% excellence funding component was introduced in Sweden, it was argued that it had not been considered worth the extra effort it required in terms of administrative costs (Gornitzka et al., 2004). Thus, care should be shown in terms of the incentive being too low (as there is an additional administrative burden) or too high (potentially threatening institutional survival if goals not met).

Contract arrangements need a high level of trust in the system, to avoid possible "gaming" of the system. Trust can be seen as a key element on how performance agreements operate and influence the balance of performance agreements being arenas for consensus and dialogue vs those of control and sanctions. While both are likely to be present, as exemplified by the Nordic case – one could also expect that the balance between the two can vary considerably, depending on the format of performance agreements. In any steering system one needs to balance trust and control. However, if one party has the means to alter the content due to being the one providing the resources, trust can be seen as conditional, as there is an inherent power imbalance between those engaged in the negotiation process.

There are also arguments that the use of performance agreements takes a starting point in the assumption of universities being coherent and uniform organizations, where clear objectives for the whole institution can be defined and where goal attainment can be assured and enforced. As such, the way in which performance contracts play out is also highly dependent on leadership traditions and practice on organizational level, and are also linked to a broader debate on distribution of authority within the system and general trends in institutional governance. In general, higher education research has instead shown that universities are highly complex, often fragmented, and sometimes struggle with this notion of being a strategic actor (Whitley, 2008).

In sum, one should view performance contracts as a general way of thinking, rather than a specific instrument, as there are substantial local variations in how performance contracts have been introduced, the kind of logic they represent in the system, and the extent to which they are linked to funding.

2.5 Some general benefits and drawbacks of using performance contracts

Being embedded in a wide net of relationships and instruments, the direct causal link between specific design elements of performance contracts and actual institutional performance is not evident in literature we have examined. Instead, it appears that this kind of relationship is very complex, focus on performance is also embedded in a wider context of steering instruments and is dependent on existing traditions and norms.

Another key issue is the extent to which failing to achieve the goals set in the performance contract can threaten institutional survival (De Boer et al., 2015). This can be the case when a substantial share of funding is tied to performance, and there are substantial financial penalties for failing to achieve the goals. In worst case scenario this can lead to considerable financial difficulties. In practice this would likely also have consequences for organizational behavior. Simply put – there needs to be an incentive for institutions to engage in goal attainment, but if the cost of failure is too high, this can lead to risk avoidance. Thus, one consequence can be that institutions would adopt "safe" goals where one can be certain that goals are fulfilled. One can question whether such goals would be aspirational.

However, some critical points have been emphasized as well that would challenge the effectiveness of performance contracts as control instruments. Two critical points in the contract process have been identified (Gornitzka et al., 2004): the establishment and selection of goals; and the enforcement of the contract. The selection of goals concerns with the fact that the goals of both the state and higher education institutions can be difficult to define, ambiguous or even contradictory. The complex nature of universities also means that it is difficult for the state to obtain necessary information regarding performance, or at least, to have information that would be of similar quality to that of the organization itself. Thus, an information asymmetry prevails and it can be difficult for the state to follow this up effectively (Gornitzka et al., 2004). The former of these two highlights the necessity to show sectoral sensitivity when working with goal definitions and focus on strategic leadership within universities. In cases this is a major cultural shift, this is not a change that would take place overnight.

Furthermore, rather intuitively one can argue that the more detailed the performance contract is, the more it represents a control and accountability measure. This would allow for more steering of institutions in a desired direction. At the same time, this would likely reduce the strategic capacity in institutions, and increase administrative burden of reporting and thus likely be inefficient use of resources. The collection of a large amount of additional data can become a cumbersome and inefficient process. The combination and integration of various evaluative schemes can be useful to reduce "evaluation" overload and reduce administrative and economic burdens of multiple and parallel evaluation and reporting systems (Gornitzka et al., 2004).

Having in mind the variety of performance agreements, it is clear that the way in which they are practiced implies a delicate balancing game: between sufficient levels of funding tied to performance that can either be an incentive or have potentially very negative consequences, deciding the scope and type of indicators, either creating evaluative and monitoring overload or become too simplified and narrow, setting meaningful goals and avoiding becoming decoupled from the shop floor. In that sense, an effective system for performance agreements includes many dilemmas. Having in mind that higher education reforms often have unintended consequences, it is also difficult to predict exactly where the appropriate balance for all of these dilemmas lies in various country contexts, as new initiatives interact with existing structures and initiatives.

At the same time, performance contracts can provide a meaningful way to transform the relationship between higher education and the state – where both parties can find common ground on realistic goals to achieve, empowering the strategic capacity of universities and facilitating more clear profiles. In that sense, it reduces incentives in the system for all universities to try to be the same, thus reducing the one-size-fits all thinking. One could also argue that it represents a pragmatic way to deal with performance, beyond simplistic competition on the same threshold for vastly different institutions. Instead – the starting point is individual institutional reality.

2.6   New patterns of institutional governance

In line with the general trends in higher education steering, university governance has been undergoing significant changes in recent decades, with an aim to turn universities into more complete, efficient organisations. A number of scholars have described this developed as the emergence of a more "managed" university that is more coherent and consistent (Fumasoli & Lepori, 2011; Stensaker et al., 2014).

One key element of this process has been the strengthening of strategic capacity at universities – in essence shifting from traditional collegial governance towards more managerial practices, with focus on strategic leadership. A number of trends have also been associated with more managerial practices from the business world, for example the notion of external representation in university boards. This external representation is seen to be able to cater to societal need for accountability, while also showing that higher education institutions are responsible, take into account stakeholder perspectives, and take seriously the notion of relevance.

One could distinguish two key models for composing such boards – either by election or appointment, and composing of internal or external members. Frequently, boards appointed by the ministry are associated with demonstrating relevance and accountability to the society. Part of the rationale has also been "borrowing" from the business world, where boards have a substantial role in strategic development. However, there are also studies that would suggest that only having external members can lead to the activities of the board becoming decoupled from the more academic leadership structures, thus emphasizing the potential disconnectedness between academic and managerial leadership structures.

In Norway, a survey was conducted among the external members of boards (Frølich, Gulbrandsen, Vabø, Wiers-Jenssen, & Aamodt, 2016), and it found that they viewed their role as important in strengthening the institutional role internally and externally. But about 1/3 feel that the ability of boards to engage in strategic prioritizing is not used sufficiently. This would also point towards possible loose coupling between boards and institutional realities. Similar results were also reported in UK (Schofield, 2009), where boards were viewed in general as well functioning, but the linkage to academic collegium was sometimes seen as complicated. A cross-national European study in 26 universities examined the capacity for strategic change processes within universities. The study surveyed senate and board members, central leadership and central administrators – with 452 responses. The responses showed that for strategic leadership, the role of leadership, communication, cooperation with academics, supportive decision-making and supportive financial climate were highlighted as essential, where the role of the orientations set by the boards was somewhat less emphasized by the respondents, on equal level with cooperation with students. Furthermore, the perception of the importance of boards

has also not changed substantially in the last 5-10 years (Stensaker et al., 2014). What was particularly interesting in these data was that external members are a very heterogeneous group. The variation of perspectives and views between institutions was smaller than the variation within a single university. This would suggest that the boards are also rarely a homogenous entity.

Part of the explanation can be found in that boards and collegial steering structures can be seen to represent two diverging logics within organizations – one being a more managerial-administrative logic, the other emphasizing an academic logic. These two are not easily reconciled and can be a source for tensions. Thus, overemphasizing on the managerial logic (i.e. make boards behave more as corporate bodies as in "any other private firm") in a manner that would clearly undermine forms of academic decision-making capacity can be a source for tensions. This is also not unknown in the institutions, for example, the study highlighted in previous paragraphs also showed that respondents did emphasize that the need to develop *shared* culture was seen as having grown in importance in recent years.

An important note to keep in mind is that there is still limited information about the direct causal linkages between organisation of leadership, and enhancement of quality and performance. For example, experiences with two distinct leadership models (appointed vs elected rectors) in Norway showed that there is in essence little differences in the behaviour of institutions (Frølich et al 2016), suggesting that the specific mode for appointing leaders alone was not necessarily crucial for overall institutional behaviour – and that such behaviour perhaps can also be explained by other factors.

3   Case reports

In this section, we turn our attention to the five case reports in this study. The cases include UK (England), Finland, the Netherlands, Norway and Sweden. In the case reports we have drawn from publicly available documents, existing secondary analysis, and a number of brief expert consultations with targeted people (experts and/or policymakers).

3.1   England

England has some of the top performing universities in Europe – two prime examples being Universities in Oxford and Cambridge. These are also among the oldest institutions in Europe, having history dating back to 13th century. Traditionally, the British university system was known for its high level of academic autonomy. However, the system is considerably more diverse and composes of both research universities, university colleges and private colleges.

In total, 108 providers have a university or university college title, while in total 131 higher education institutions and 230 further education colleges (FEC) receive public funding[2]. The English system was a binary system until 1992, when polytechnics were given the option to become universities, abolishing the binary divide. In 1992, 35 new universities were thus created, now frequently referred to as post-1992 universities. Analysis has shown that abolishing the binary line did lead to more diversity in the system, but this diversity was unplanned and uncoordinated (J. Taylor, 2003).

After a small drop in 2012, the system has been expanding again, with a 4 percent increase in full-time undergraduate entrants for 2015-2016 year. Non-EU students represent about 10% of the students, the number seems to be rather stable, with a small decline (with regional variations)[3]. Tuition fees are high for both domestic and foreign students. England also operates with the three cycle structure, a typical Bachelor's degree with honors is three years.

3.1.1   *Main reform trends*

Despite having a strong tradition for academic self-governance, the responsibility for the students has traditionally been the responsibility of the state after WWII in the English system. From the 1970s and onwards, the period is marked by policymaking from the "outside in", in essence marking external attempts at steering the system (Shattock, 2006). England has been also one of the countries with clearest focus on performance enhancing instruments. RAE, the Research Assessment Exercise (now called Research Excellence Framework - REF), was already introduced in the mid-1980s, with

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[2] The statistics used here are drawn from public HEFCE statistics http://www.hefce.ac.uk/analysis/HEinEngland/
[3] HEFCE

experimentation with the TEF (Teaching Excellence Framework) now underway. England thus represents a country that has a comparatively long tradition with such evaluation schemes.

Historically, 1992 marked an important turning point for English higher education by creating a range of new universities. The Further and Higher Education Act 1992 introduced a whole series of changes to funding and organisation of higher education. The act also introduced HEFCE (the Higher Education Funding Council for England), a key organ in English governance arrangement (see section 3.1.2).

In the last ten years the focus on market mechanisms has intensified. A key example of this has been the introduction of tuition fees in English higher education. This rapid evolution of fees has also been covered in previous studies (Shattock, 2012). These studies have highlighted that while fees were initially introduced in 1998 they were raised in 2006 (legislation for the raise came in 2004). This raise was seen as so radical that many thought that any further increases would not take place for a substantial time. A principal idea behind increasing student fees was to enhance competition, assuming institutions would compete based on price. In reality, this never took place, as almost all institutions (with the exception of two) charged the maximum possible £3000 fees. There was also limited effect on student application rates.

The next turning point in the issue of fees came after the economic crisis hit the UK. As emphasis shifted to further budget cuts, higher education institutions underwent 40% budget cuts in general and 80% budget cuts in teaching. Following this, the new tuition fee cap from 2015-16 on was set on £9000, with specific guidelines for fees above £6000. The policy rationales were summarised in four themes: reducing public spending, more competition leading to efficiency, quality enhancement through market mechanisms, and more differentiation within the system. The shift is essentially been argued to be a shift from viewing higher education as a public to a private good, and early evaluations have indicated increased institutional stratification (Shattock, 2012). Initial evaluations of possible consequences have shown that students are in fact more concerned about their study choice (Wilkins, Shams, & Huisman, 2013). Current high tuition fees are supported by student loans that are income-contingent.

Overall, the current policy situation has been marked by anticipation of new reforms[4]. The major legislative reforms since 1992 have focused on a series of revisions to student funding and fees from the 1998 HE act on, but other structures and governance issues have been left largely unchanged. A recent Green Paper emphasizes focus on teaching excellence through the Teaching Excellence Framework (TEF), as well as participation, employability, enhanced competition, and reform of the regulative structure.

In May 2016 the White Paper "Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice"[5] was published. Core aims are related to creating a more competitive market, providing for informed student choice, and changing the regulative framework. In general, it is underpinned by a strong market rhetoric and emphasis on universities' economic role. The White Paper opens space for new providers to establish and expand to a much larger degree than previously, with the underlying argument that this can stimulate more competition. In terms of governance the upcoming changes include reduction of the regulative burden and simplification the sector. Furthermore, all providers who aim for publicly funded loans for students shall be included in a comprehensive register. For students to be able to make informed choices, the Teaching Excellence Framework (TEF) is proposed, to supplement the Research Excellence Framework (REF). Overall, the initiatives suggest a sharp turn towards further market coordination, and an assumption that with proper information on price and quality one can facilitate the market to "perform properly". One could argue that this argument stands in sharp contrast to what most studies about higher education markets have shown, where the possibility of pure markets has been strongly questioned (Marginson, 2013).

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[4] HEFCE grant letter 2016-2017
http://www.hefce.ac.uk/media/HEFCE,2014/Content/News/2016/HEFCE_Grant_Letter_201617.pdf
[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523396/bis-16-265-success-as-a-knowledge-economy.pdf

3.1.2   Governance of higher education

In terms of the governance structure, higher education institutions are autonomous. HEFCE (the Higher Education Funding Council for England) is a non-departmental body of the ministry, and is responsible for distribution of funds. The institutions have to demonstrate accountability for the funding they receive, thus HEFCE has considerable regulative capacity. HEFCE activities in this area include assessment of quality and charity regulation. Most universities are legally considered as charities, but there is some variation in constitutional provisions under this legal definition. From 2017-2018 a new approach to quality assessment has been proposed.

Public funding of higher education takes place through three key streams – tuition fee loans, and maintenance grants and loans to students; recurrent funding in the form of grants to universities and colleges; and grants from other public bodies (i.e. research council funding). Every winter, HEFCE receives a government allocation letter that assigns available funds, which HEFCE then distributes to the sector in five broad areas: teaching, research, capital costs, knowledge exchange and national facilities and initiatives. The block grants that universities receive only cover parts of the costs, and the overall share of HEFCE funding will be dependent on other income and fee income. Accountability is demonstrated by the funding method itself (certain activities can be prioritized), grand conditions (memorandum of assurance and accountability) and information (performance indicators, student survey, etc.)[6]. However, as a result of recent reforms, higher education institutions in England have become increasingly privately funded (the new White Paper highlights that on average only about 15% of funding now comes from block grants), raising questions about the scope of control HEFCE has over the sector as funding sources have become increasingly diversified (Shattock, 2013). This argument is embedded in the argument that funding has been one of the key steering instruments for higher education in England. In the new White Paper, this is highlighted as an issue – as alternative providers would have had to deal directly with the ministry, while recognized institutions have had primarily to do with HEFCE. The new regulatory system thus includes all institutions into the same system.

The current ten intermediary bodies working for UK government in higher education will be reduced to two. HEFCE will thus cease to exist. The two bodies include: a single market regulator – the Office for Students (OfS); and a single research and innovation body - UK Research and Innovation (UKRI). The White Paper outlines that the OfS is intended to be "pro-competition" and "pro student choice", "with new statutory powers and an extended remit to regulate all registered HE providers" being a "Non-Departmental Public Body (NDPB) at arms' length from Government"[7]. OfS will also be responsible for distribution of the teaching grants. UK Research and Innovation (UKRI) is in essence a single body composed of the previous seven research councils. HEFCE's research funding functions will also be moved into this new body. Formally, UKRI will also be a non-departmental public body, as OfS – with an emphasis on balancing academic autonomy with accountability.

In general, English higher education has been characterised by increasing marketization (Brown & Carasso, 2013). Having in mind the recent reform agendas, one can argue that the changes proposed in the English system mean that it is moving even further towards market steering model, as the introduction of fees is strongly based on the underlying assumption that facilitating competition and competition through market mechanisms, will in turn lead to more efficiency and quality. The plan of the Office for Students (OfS) as a "market regulator" points towards a strong market narrative in the system. At the same time, this also does not mean that control has reduced, it also seems that the two new bodies will still also represent a strong accountability mechanism within the system.

There are indications that there has over time been an increase in efficiency in the English system, but concerns have been raised whether this has also come at the expense of quality (Brown & Carasso, 2013), as indicators for quality enhancement have been complex to identify. In general, there is a widely expressed scholarly opposition towards the strong emphasis on corporate governance mechanisms in higher education in England (Deem, 1998; Lapworth, 2004), and the view of students

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[6] HEFCE guide to funding 2016-2017:
http://www.hefce.ac.uk/media/HEFCE,2014/Content/Pubs/2016/201607/HEFCE2016_07.pdf
[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/523396/bis-16-265-success-as-a-knowledge-economy.pdf

as "consumers". The most recent White Paper is emphasizing this market based view of higher education even further, and one could argue that the kind of "maturing" and more pragmatic market view that is evident in many other countries (see section 2.2), is perhaps not the case here. Instead, the focus appears to be on rather clear pure market competition principles.

3.1.3 *Performance component in state steering*

In England, performance component in the steering structure is assured through the Research Excellence Framework (REF) and the new the Teaching Excellence Framework (TEF). While these instruments are also emphasizing better performance, these two frameworks are different from performance contracts as outlined in chapter 2, as they evaluate past performance. However, England is a relevant and interesting case for examining performance elements in steering due to their long experience with RAE/REF and the newly introduced TEF, that is in many ways a novel evaluation scheme.

The predecessor of Research Excellence Framework (REF) was the RAE – Research Assessment Exercise. The very first research evaluation took place in 1986, followed by another evaluation in 1989. In 1992 after the reform, the evaluations were labelled RAE – Research Assessment Exercise. The evaluations were a comprehensive evaluation of research conducted in higher education, according to subject areas. In the initial responses RAE was perceived as a way to sustain academic control and perhaps counter-balance state-led quality assurance mechanisms. At the same time, the instrument was also perceived as disruptive, and profoundly altering academic culture as evaluations became a "public" event (Henkel, 1999). Widespread criticisms were expressed in the system at the time, due to the strong consequences of failing to do well - negative outcomes have a strong impact on state funding. Furthermore, failure would also have an effect for income from other sources due to symbolic power (Henkel 1999: 110). Subsequent evaluations were carried out in 1992, 1996, 2001 and 2008. In 2008, the evaluations were shifted to a five-level scale – from unclassified to four stars as the "world leading in terms of originality, significance and rigour"[8].

In 2006 it was announced that the RAE would transform to the Research Excellence Framework (REF) after the 2008 evaluation. The aims of the new REF were related to the development of a robust indicator of excellence that could be used as a basis for funding decisions, to reduce administrative burdens, enhance equality and diversity while avoiding undesirable outcomes, and assuring a stable funding base for excellent research[9].

In 2014, the first REF was conducted – the Research Excellence Framework. The REF is conducted UK wide by the various funding bodies (HEFCE for England). It measures three areas: outputs, impact and environment, and the five-level scale from 2008 evaluation was retained:

- Output (65%): includes various forms of publication (articles, chapters, monographs but also artistic expressions), up to four per each member part of the evaluation. Evaluated according to originality, significance and rigour – in the form of peer review (citation count sometimes used as contextual information);
- Impact (20%): "effect on, change or benefit to the economy, society, culture, public policy or services, health, the environment or quality of life, beyond academia"[10], included both impact case studies and impact template. Cases evaluated according to reach and significance, templates according to their ability to lead to impact.
- Environment (15%): strategies, infrastructure and resources, included both environment template and statistical data. Evaluated according to vitality and sustainability.

Across the UK, the Research Excellence Framework found that 22% of research outputs were evaluated as at an excellent level by the subject panels, with quality enhancement reported across institutions in UK.

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[8] http://www.ref.ac.uk/results/intro/
[9] http://www.hefce.ac.uk/rsrch/REFreview/
[10] http://www.ref.ac.uk/media/ref/content/pub/REF%20Brief%20Guide%202014.pdf

The results of REF will be used by HEFCE for funding allocations from 2015-2016 and onwards (earlier this was done on the basis of RAE). This part of funding is called the "quality related" funding for research (QR funding), considered recurrent funding. This "mainstream quality related research" is the main pot for research funding based on: "quality, volume and relative cost of research in different subject areas, with separate calculations to reflect research outputs, environment and impact"[11]. The allocation is based on a formula. In 2016/2016, almost £1,6 billion will be distributed through QR funding[12]:

- Mainstream quality-related research (QR) including London weighting – 1070 (million) (increase of 20 million from last budget)
- QR Research Degree Programme (RDP) supervision - 240
- QR charity support fund - 198
- QR business research element - 64
- QR funding for National Research Libraries - 7

The principal allocation criteria are that of excellence/selectiveness, broad coverage of disciplines, with a robust and transparent allocation mechanism. RAE is the largest assessment of its kind in the world, being based on peer review and disciplinary panels (De Boer et al., 2015). The criticisms emphasize that it is still a rather costly exercise, and in many ways old fashioned, while at the same time not producing very different results than most other metrics. However, despite these criticisms, it is widely agreed that the instrument would not be abandoned (De Boer et al., 2015).

The TEF (the Teaching Excellence Framework) is a newer development in UK higher education. It was launched as a way to provide a means to evaluate excellence in educational provisions, with an aim to recognize and reward high quality teaching. The basis for the TEF is outlined in the 2016 Higher Education White Paper: *Success as a Knowledge Economy: Teaching Excellence, Social Mobility and Student Choice*. The first TEF will operate in academic year 2016/2017. Current time plan includes the following (as outlined in the White Paper):

- 2016/17, all providers with any form of successful QA award will receive a rating of Meets Expectations.
- 2017/2018, trial year, full assessment on a voluntary basis, with only three possible ratings – meets expectations, excellent and outstanding. The financial component will not differentiate based on performance, all that meet expectations will receive the uplift.
- 2018/2019, first full year of assessment on provider level, with possible additional metrics included.
- 2019/2020, following disciplinary pilots, first year of disciplinary level assessments. Will also include postgraduate studies.

Key metrics for the year two trial include student satisfaction, retention and employability – but the final form has not yet been decided. The reviews will also be conducted by a peer review panel, chaired by an expert, involving students, employers and a widening participation expert. The introduction of TEF was largely a political decision, and considered a way to appeal to voters. However, it has generally been welcomed in the public domain, as it is assumed that it can also raise the profile of teaching function in higher education. At the same time, its format and the metrics included have been a subject for debate.

The introduction of these two excellence frameworks - TEF and REF - can also be seen as indicative of the decoupling of research and teaching/learning in the governance system, in particular when the Office for Students (OfS) and UK Research and Innovation (UKRI) will be established, as pointed out by one of the consulted experts. One can also question whether two separate evaluative schemes can create a rather heavy burden of reporting. However, this will be dependent on the final design of TEF.

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[11] http://www.hefce.ac.uk/media/HEFCE,2014/Content/Pubs/2016/201607/HEFCE2016_07.pdf
[12] http://www.hefce.ac.uk/rsrch/funding/

3.1.4 Institutional governance

As mentioned earlier, all universities in England are legally considered as charities. However, this legal definition includes also some variation in terms of constitutional provisions. The sector in England (and UK) is very diverse (size, age, scope, etc), thus specific practices can vary substantially. In general, university governance structures in England are diverse, and thus difficult to generalise. Key issues for governance have been the high degree of autonomy, diversity of profiles and sizes, complexity of legal status and devolution of the overall UK system (Schofield, 2009). The step to merge the various funding councils to UKRI can be seen as one step back from this devolution, and to create new UK-wide arrangements.

Traditionally, there has been a division between so-called academic and corporate governance of higher education institutions (Schofield, 2009):

- A governing body with 17-25 members, with external majority – institutions can choose whom they recruit. Always chaired by an external member. All external members are voluntary, appointed by the governing body (see below for a description).
- Academic board or senate with responsibility for the core activities (teaching and research), internal, often chaired by vice chancellor
- Executive function responsible for management of higher education institutions (headed by the vice chancellor or equivalent).

The roles and functions of the governing body are described in The Higher Education Code of Governance[13], published by the Committee of University Chairs (CUC). CUC is an organization that: "develops and promotes governance standards for higher education in the UK"[14]. CUC currently includes members from 129 universities across UK. The Higher Education Code of Governance was last updated in 2014. The code is formally voluntary, but compliance is expected to satisfy the "public interest". The code outlines seven key points for good governance (Committee of University Chairs, 2014):

1. The governing body is unambiguously and collectively accountable for institutional activities, taking all final decisions on matters of fundamental concern within its remit.
2. The governing body protects institutional reputation by being assured that clear regulations, policies and procedures that adhere to legislative and regulatory requirements are in place, ethical in nature, and followed.
3. The governing body ensures institutional sustainability by working with the Executive to set the institutional mission and strategy. In addition, it needs to be assured that appropriate steps are being taken to deliver them and that there are effective systems of control and risk management.
4. The governing body receives assurance that academic governance is effective by working with the Senate/Academic Board or equivalent as specified in its governing instruments.
5. The governing body works with the Executive to be assured that effective control and due diligence take place in relation to institutionally significant external activities.
6. The governing body must promote equality and diversity throughout the institution, including in relation to its own operation.
7. The governing body must ensure that governance structures and processes are fit for purpose by referencing them against recognised standards of good practice.

Each of these seven points is also explained in more detail. The legal status of members can also vary due to different institutional legal specification. For most institutions members would be considered as charitable trustees, in cases where institutions are considered as companies, the board members would be considered as directors and their function is then also steered by the Companies Acts. There are guidelines to avoid conflicts of interest, which all members need to disclose. The Code also

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[13] http://www.universitychairs.ac.uk/wp-content/uploads/2015/02/Code-Final.pdf
[14] http://www.universitychairs.ac.uk/about/

includes a "Statement of Primary Responsibilities" for the governing body, including the following 15 points (Committee of University Chairs, 2014):

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders.
2. To ensure that processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be – where possible and appropriate – benchmarked against other comparable institutions.
3. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and human resource management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interest.
5. To establish processes to monitor and evaluate the performance and effectiveness of the governing body itself.
6. To conduct its business in accordance with best practice in HE corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. To safeguard the good name and values of the institution.
8. To appoint the head of the institution as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
9. To appoint a Secretary to the governing body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.
10. To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.
11. To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.
12. To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.
13. To receive assurance that adequate provision has been made for the general welfare of students.
14. To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.
15. To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen

However, the Code also notes that these points are a guideline, and that there would necessarily be variation, due to the constitutional requirements of the institutions.

The governing body must have external majority but there is an expectation that staff and students are also represented (according to the Code, this is also often in the constitutional documents of the institutions). New members are appointed by the governing body, following advice from a Nominations Committee (or similar), according to the Code. The profile and competence of external members is a basis for their appointment, and normally external members receive no payment, aside travel and expenses. The governing body can remove its own members (for example if breaches of terms of appointment have taken place). In general, there has been a trend towards smaller bodies, and they normally do not exceed 17-25 persons.

However, the task division between the governing bodies and academic board has blurred since the 1980s. There has been an emphasis to push governing bodies to behave more like "company boards" and the executive function has been strengthened since 2010 (Shattock, 2013). While current trends have been criticized, a survey among management staff and board members suggested that governing bodies in general have sound health and can in general be seen as effective. The strengths that were emphasized included: the quality of external membership in boards; commitment to the organization; clarity of roles; good administrative support; the commitment of leadership; and the support from funding bodies. Important prerequisites are robust and timely information. There is also recognition that the relationship between governance structures and performance has been complex and ambiguous, where systematic linkages between boards and performance have not been identified (Schofield, 2009). In the case of England this is even more complicated due to diverse practices on institutional level. However, the survey shows that while governing bodies are usually seen to reinforce existing academic values and in general are seen as effective, the need for better communication with the academic bodies is also noted (Schofield, 2009).

Institutional leadership and governing boards also have a key role in communication with HEFCE when main targets are discussed. However, communication with HEFCE also takes place on multiple levels – and other units within the organization are also involved in these communication patterns (i.e. administration for funding matters, heads of teaching and learning for some issues, etc). Other important actors for coordinating with the state are Higher Education Academy (HEA) and the Leadership Foundation.

3.1.5 Brief summary

The English system was formally unified in 1992, but is now characterised by a high level of institutional diversity. There are 131 higher education institutions with public funding (excluding further education colleges. Institutions are either registered (pre 1960) or exempt charities. The English system was traditionally characterised by high degree of self-governance and academic autonomy, and it is only since the 1970s that attempts for more steering emerged. However, the country has been characterised by strong steps towards increased use of market mechanisms, not least in recent years. Currently, the governance structure is being reformed, further towards market mechanisms, restructuring existing intermediary bodies in the governance system. Funding councils will be abolished, and whole UK higher education will be governed by two bodies: a single market regulator for education – the Office for Students (OfS); and a single research and innovation body - UK Research and Innovation (UKRI).

England introduced a research evaluation system already in the 1980s, and the system has undergone a series of changes since. The Research Excellence Framework (REF) is the current evaluation scheme and it is also used as a basis for funding decisions. Currently, a parallel framework for evaluating education is being developed – the Teaching Excellence Framework (TEF). TEF is generally received positively by the public, but there is still ongoing debate regarding the metrics.

Since 1992 the system in England is considered as a unified system, as polytechnics obtained university status. Most universities legally considered as charities, but there is some variation in constitutional provisions under this legal definition. The system is very diverse, also in terms of governance structures. The roles and functions of the governing body are described in The Higher Education Code of Governance. The Code provides a guideline, as there would be variation due to the constitutional requirements of the institutions. The governing body must have external majority but there is an expectation that staff and students are also represented. New members are appointed by the governing body, following advice from a Nominations Committee (or similar) appointed by the governing body. Existing studies suggest that the instituional governing system is generally viewed as well functioning.

3.2 Finland

Finland operates with a binary structure on higher education level – with universities and universities of applied sciences (UAS). The university of Helsinki was established in 1640, Technical University in 1908, and Universities in Turku and Åbo Akademi were established in the 1920s. A more substantial expansion of the system took place after the establishment of University of Oulu in 1958.

Finland now has 14 universities, and 24 UAS institutions[15] (in addition to an UAS on Åland, and a police college under the Ministry of Internal Affairs and National Defence Academy under Ministry of Defence), and 6 university centres in the public higher education sector. UAS sector conducts research and development in areas that supports instruction and facilitates regional development. UAS were initially termed "polytechnics", and introduced only in the 1990s through merging of secondary education vocational schools. The sector grew rapidly and became an alternative for university education. There have been structural changes in the sector, with number of universities and UAS being reduced in recent years.

The UAS sector expanded rapidly also in terms of student numbers, and UAS have about 130 000 students, and the 26 have campus in 70 locations. In the university sector there are about 170 000 students. Tuition fees are only charged non-EEA students starting 2017.

Bachelor degrees in UAS normally are 3,5 to 4,5 years, while universities follow the 3+2 system. However, many would consider bachelor degrees are merely an intermediary towards Masters degrees in universities, thus MA is in practice the real «basic degree» for university students, where bachelor is considered that for UAS students.

3.2.1 Main reform trends

In terms of governance, the Finnish system is characterized by a high degree of pluralism, where various actors are regularly consulted in reform processes (Välimaa, 2005). Current Finnish system is the result of two major reforms – establishing the founding of the UAS sector, and the 2009 autonomy reform for universities (Ahola, Hedmo, Thomsen, & Vabø, 2014). In 2010, the system also underwent 3 major merger processes. It has been argued that Finland went through rather typical trends in governance – with emphasis on accountability and efficiency emerging as key issues during the late 1980s in the system. Along with this focus, evaluation mechanisms shifted from input towards output evaluation (see 3.2.2. further discussion on governance changes in Finland).

The discussion on access and tuition fees has been an important debate in Finnish higher education. There are no tuition fees for students taught in Finnish, but fees can be charged for programmes taught in foreign language for non-EEA students. Fees cannot be charged from those with permanent residence in Finland. However, the issue of tuition fees has been a considerable debate in the Finnish context (Ahola et al., 2014). Another key issue has been the notion of internationalisation, an issue that has been in focus since the 1980s. More recently, attention has shifted to education export opportunities (Ahola et al., 2014), as a part of the tuition fee debate.

Furthermore, internationalisation and international competitiveness was one of the stated rationales for the 2009 higher education reform, having been pointed out by a number of internal evaluations in Finland (Benneworth et al., 2011).The UAS sector has been undergoing reforms in recent years in this respect. Currently, both sectors have individual Acts.

The 2012-2016 development plan[16] for higher education put emphasis on alleviating poverty, inequality and exclusion, stabilising the public economy and fostering sustainable economic growth, employment and competitiveness. The sectoral divide appears to be well in place, with distinct profiles for universities and UAS maintained in the strategy.

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[15] http://arene.fi/en/universities-applied-sciences
[16] http://www.minedu.fi/export/sites/default/OPM/Julkaisut/2012/liitteet/okm03.pdf?lang=en

Common reform trends towards 2025 include:

- strong higher education units that renew competence
- faster transition to working life through high-quality education
- impact, competitiveness and well-being through research and innovation
- the higher education community as a resource.

Generally, one can argue that current key trends emphasize diversification and competition, but there is also an emphasis on academic freedom and autonomy.

The three big mergers that have taken place in Finland had a strong financial component. Currently, there are national debates concerning more mergers, and in some cases between universities and polytechnics. However, this is a rather complex legal situation, due to the different legal status of universities and polytechnics.

3.2.2   Governance of higher education

The main legislation for universities is the Universities Act 558/2009 and Decree 770/2009[17]. Here, provisions exist for mission, organization, as well as for students. Earlier, universities were owned by the state. As a consequence of the 2009 law Finnish universities are independent legal entities, corporations under public law or foundations under private law. Two of the universities currently are foundations under private law (also known as "foundation universities").

Universities have wide procedural autonomy in their internal administration and economic matters. This legal status is considered as an "extreme version" of autonomy reforms in the Nordic context (along with Denmark) (Ahola et al., 2014). There is a general emphasis on performance evaluation as a basis for governance arrangements.

Currently, about 2/3 of university funding comes from the state through direct core funding, based on formula. Of this core funding, education is 41%, research 34% and other education and science policy considerations are 25%. The latter includes strategic development, field-specific funding and national duties[18]. 1/3 of the funding is distributed through competitive means. Currently, the funding model is under revision, but it is expected that it will be adjusted in alignment with the 2009 legal framework. Amendments are proposed on: ratios of funding factors, the imputation criteria and the information content in the category of education – with greater emphasis on quality[19].

UAS have undergone a series of changes. In 2003, the polytechnics received a new Act that gave them limited autonomy in internal affairs. Since 2011 there has also been a reform of UAS. New Polytechnics act was adopted in 2014. This means that since 2015, the UAS and the organizations running them became one legal entity. UAS are now considered as limited companies, usually UAS have multiple owners (municipality, region, private). During the reform state obtained the main responsibility to funding (earlier this was shared with municipalities). 88% of the budgets of UAS come from core funding from the state, through fixed formula funding. The formula is based on performance indicators for education (85%) and research and development (15%)[20]. Performance agreements are employed also for UAS.

Quality assurance is conducted by FINEEC, primarily through audits of institutional QA systems, and thematic evaluations on specific important subjects of national interest. Audits are applied to both universities and UAS sector, this being required by the Higher education act and Polytechnics Act. This obligation can also be fulfilled in other ways. However, these alternative audits also need to be

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[17] http://www.finlex.fi/en/laki/kaannokset/2009/en20090558.pdf
[18] See more detailed information about the funding model here:
http://www.minedu.fi/export/sites/default/OPM/Koulutus/yliopistokoulutus/hallinto_ohjaus_ja_rahoitus/liitteet/uni_funding_model_2015.pdf
[19] http://www.minedu.fi/OPM/Julkaisut/2015/yliopistot.html?lang=fi&extra_locale=en
[20] See more detailed information about the funding model here:
http://www.minedu.fi/export/sites/default/OPM/Koulutus/ammattikorkeakoulutus/hallinto_ohjaus_ja_rahoitus/Liitteet/UAS_Funding_Model_2015.pdf

accepted by the Ministry of Education and Culture. These alternative evaluations are for example of relevance for business schools that participate in international evaluations (EQUIS and similar). FINHEEC (Finnish Higher Education Evaluation Council) was established in the early 1990s, but more recently it became FINEEC, after a merger with Board of Education and Finnish Evaluation Council. It is an independent government agency, responsible for evaluations on all levels of education, not only higher education. Its aim is to coordinate and consolidate evaluation competence in Finland. In general, the evaluation system is emphasizing development rather than control.

3.2.3   Performance component in state steering

For universities, the ministry develops a general development plan every four years. This is founded in the Decree on the Development Plan for Education and University Research (987/1998). This makes Finland the country that has comparatively one of the longest experiences with such institutional contracts.

In addition to this, every university and the ministry agree upon individual performance agreement that operationalises specific goals – both qualitative and quantitative. Until 2010 these agreements were yearly, but from 2010 and onwards the agreements will have four-year performance agreements. The period 2010-2012 was a transition period to these 4 year contracts (Benneworth et al., 2011). These agreed upon objectives should be in line with the general aims for the higher education system. The agreement concerns profile, focus areas, development and public funding outside of the formula-based core funding.

The performance agreement is signed by the chair of the board and the rector. The agreement also stipulates how monitoring should place. The ministry is responsible for providing feedback regarding the contract. Information is stored in a database – Vipunen (earlier known as KOTA) database for monitoring. Universities are required to provide statistics and information about their performance. In the interim years the ministry provides written feedback to universities.

In 2016, the negotiations are underway for the 2017-2020 period – and there have been indications of a more strategic emphasis and simplified structure. By early 2016, universities had to submit a proposal to the ministry, which will be negotiated during the year. While there will be a change in the funding formula in 2017, it is considered that the main structure of the formula will be maintained.

For UAS, the performance agreements are negotiated every four years, similar to the universities. The UAS system got a new funding model in 2014. Negotiations include both qualitative and operational goals, and is the basis for monitoring in the four-year period.

3.2.4   Institutional governance

Finland has been operating with external members in the board already since 1997 (Ahola et al., 2014). According to the law in place now from 2009[21], the organs of the public university include the board, rector and the collegiate body of the university, this means that these bodies are required by law.

The board is the highest executive organ according to the law. The board has ten key purposes (as described in the law) for a public university:

1. to determine the foremost objectives of the university operations and economy, the strategy and management principles;
2. to decide on the action and economic plan and the budget of the university and to prepare the financial statement;
3. to be accountable for the management and use of the university assets, unless the board has devolved the power to the rector;

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[21] http://www.minedu.fi/OPM/Koulutus/koulutuspolitiikka/lait_ja_ohjeet/?lang=en

4. to arrange the supervision of the accounting and asset management;
5. to adopt agreements of major importance or fundamental consequence for the university and issue opinions on important matters of principle concerning the university;
6. to adopt the agreement with the Ministry of Education and Culture referred to in Section 48 on behalf of the university:
7. to elect the rector or rectors and decide on the division of work between them and to remove the rector from his/her office if there is a legitimate and well-founded reason for it in consideration of the nature of the office;
8. to adopt the university regulations and other corresponding rules pertaining to general organisation and decide on the operational structure of the university;
9. to submit a proposal to the Ministry of Education and Culture concerning a change in the educational responsibilities of the university;
10. to decide on the number of students to be admitted to the university.

The board is to have 7, or 9-14 members. The board must include elected representation of the professors, other teaching and research staff, students. Minimum 40% of the board must be external, and represent a wide range of expertise. Furthermore, the chairman of the board must be an external member. Rector, director, or vice-rector cannot be a member of the board. The collegiate body has a rather important function to outline the specific profile of the board (it cannot decide to not to have a board). The term of office and number of members in the board is decided by the collegiate body, i.e. they can also decide to have an external majority. Furthermore, it elects the external board members. The collegiate body consists of staff and students. The fact that the collegiate body has this power suggests that in Finland the change pattern has been a bit different. Universities have become more autonomous, but there is also still considerable collegial power and a strong sense of academic freedom.

For a foundation university (foundations under private law) the system is somewhat different. The key governance organs are the board, the rector and the overall multi-member administrative body. The board is to have 7 members (see section 24 in the law)[22], and members are appointed by the multi-member administrative body of the university, after consulting the founding partners. Three members are appointed among those the founding partners have nominated. The chair and vice-chair of the board must be external, and it is possible to appoint a completely external body. The multi-member administrative body composes of maximum 50 members, and it is representative of the university community (professors, other teaching staff, students).

The UAS sector (then polytechnics) obtained autonomy for internal affairs in the Polytechnics Act 2003[23] (amended in 2009). This internal administration is presided by the president/principal, and a board that composes of head of institution, as well as both internal and external members. The board is presided by the rector has the following tasks – as prescribed in the law (2003):

1. submit proposals towards the action and economic plan and budget of the polytechnic to the organization operating the polytechnic;
2. determine the grounds for allocating the appropriations granted to the polytechnic;
3. submit a proposal to the organisation operating the polytechnic concerning changes in the educational mission;
4. appoint other multi-member administrative bodies;
5. adopt the degree regulations of the polytechnic;
6. adopt regulations on internal administration; and
7. deliberate and resolve any other matters assigned to it by statutes or regulations, or matters which by virtue of their nature fall within its duties.

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[22] http://www.finlex.fi/en/laki/kaannokset/2009/en20090558.pdf
[23] http://www.finlex.fi/en/laki/kaannokset/2003/en20030351.pdf

Board members are appointed by the organization that operates the UAS. An UAS can be operated by the entity that has the license from the government, and the following are eligible for an operating license: a local authority, a municipal consortium or a registered Finnish association or foundation.

3.2.5 Brief summary

Finland has a binary higher education system, with universities and universities of applied sciences (UAS)(earlier polytechnics). Currently there are 14 universities and 24 UAS. Finland went through rather typical trends in governance – with emphasis on accountability and efficiency emerging as key issues during the late 1980s in the system. The governance arrangement is characterised by a high degree of pluralism in terms of actor involvement in governance. Current governance arrangement is to a large extent the result of the 2009 autonomy reform. This reform can be considered as one of the most radical ones in the Nordic countries, turning universities to independent legal entities: corporations under public law or foundations under private law. UAS sector has also recently undergone a major governance reform, since 2015 the UAS and the organizations running them became one legal entity. Legally they are now considered as limited companies.

Finland has also comparatively long experience with performance agreements. Currently, the system operates with four-year performance agreements. These agreed upon objectives should be in line with the general aims for the higher education system. The agreement concerns profile, focus areas, development and public funding outside of the formula-based core funding. In 2016, the negotiations are underway for the 2017-2020 period – and there have been indications of a more strategic emphasis and simplified structure. Currently, about 2/3 of university funding comes from the state through direct core funding, based on formula. For UAS, there are also four-year performance agreements, broadly rather similar to the universities.

Finland has been operating with external members in the board already since 1997. According to the law in place now from 2009, the organs of the public university include the board, rector and the collegiate body of the university. Minimum 40% of the board must be external, and the chairman must be external. Board members are elected by a collegiate body of the university. For universities that are foundations under private law the system is somewhat different, as the role of founding partners is more important (see section 3.2.4. for more detailed description). In the UAS sector, the board that composes of head of institution, as well as both internal and external members. These members are appointed by the organization that operates the UAS.

3.3 The Netherlands

The Netherlands has a binary higher education system with a division between research universities and universities of applied sciences (*hogescholen* – HBO-sector)[24]. The Dutch higher education system currently composes of 13 universities (3 of which have a technical focus, 1 agricultural university), and 43 HBO. Ten of the universities are public, three are private but also receive public funding. The universities include a mix of historical research universities (University of Leiden established in 1575) as well as newer institutions (i.e. University of Maastricht established in 1976). HBO education is usually closer to the practice field and is offered in seven different sectors – economics, health care, agriculture, teacher training, social work, arts and engineering.

The HBO formally became a part of higher education with the act in 1986, but the sectors historical roots can be dated back to early 1900s, or even further to training provided by guilds (de Weert & Boezerooy, 2007). The system as a whole went through rapid expansion during the 1960-80s. As a consequence of increasing national pressures for change there was a major restructuring of the sector in 1983. Following this there was a wide scale merger process in 1987 when over 350 institutions

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[24] Since 2008, HBOs may use the term "university of applied science" in English.

merged into 85 institutions, some of which became larger than existing universities (de Weert & Boezerooy, 2007).

The HBO sector is now substantially larger than the university sector with about two thirds of the students. The students pay moderate tuition fees, with a higher fee charged of non-EU students. Nevertheless Netherlands attracts more international students than OECD average (OECD, 2015).

The three cycle structure was introduced in 2002 in both sectors. University bachelor degrees are usually 3 years, bachelor's degrees at HBO are 4 years. Only universities offer doctoral education.

3.3.1 Reform trends

The system is considered as rather efficient and well-performing in various international comparisons of performance. This success has been associated with the reform initiatives that were undertaken during the end of 80s, being one of the frontrunners in modernisation of higher education in Europe (Maassen & Jungblut, 2014). Main trends that have been influential in the Netherlands include focus on further deregulation, devolvement of governmental authority, a shift towards ex-post evaluation, performance funding and more competition (Enders et al., 2013). This shift has been taking place since the mid-1980s and can thus be seen with a rather long historical perspective. Traditionally, the Dutch system was characterised as one with substantial state control of higher education, combined with strong academic self-governance, lacking managerial governance capacity (De Boer, Enders, & Leisyte, 2007). In this context, state control was primarily exercised on the input side (i.e. curricula, resources, students, staff) (Maassen, Moen, & Stensaker, 2011). As a result of increasing public budgets and the need to cut spending, the 1980s were marked with a strong wave of reforms.

The 1985 HOAK white paper was viewed as an important instrument to tackle issues within the system and to provide "vision" for the steering of higher education in the future by emphasizing quality and differentiation (Maassen & Jungblut, 2014; Maassen et al., 2011). In the end of 1980s, a planning system (HOOP) was introduced, where ministry would outline key societal expectations for the sector[25]. The system was viewed as being dialogue based (Maassen & Jungblut, 2014). The four underlying principles for steering introduced at the time were:

- Government intervention only when self-management would produce unacceptable effects
- Government intervention as remedial, not preventative
- Minimum of detailed regulation
- Institutions themselves responsible to assure legal certainty, reasonableness and proper administration (Maassen & Jungblut, 2014; Maassen et al., 2011).

In 1993, this new relationship and the planning system was formalized into law - Comprehensive Higher Education and Research Act (WHW). The proposed university legislation emphasized greater autonomy and freedom, and Netherlands can be seen as one of the front-runners of this "steering at a distance" approach for higher education, emphasizing university autonomy and accountability measures (De Boer et al., 2007; de Weert & Boezerooy, 2007; Enders et al., 2013). An important freedom in 1993 was formalised institutional responsibility for degree programmes (Maassen et al., 2011). The key principle was that of equality – institutions were seen as "equal but different" and students should also have equal opportunities to participate (De Boer et al., 2007; Maassen & Jungblut, 2014). However, the underlying assumptions of the 1990s reforms were building on a market mechanism, with emphasis on efficiency and performance (De Boer et al., 2007), one of the key reforms being the 1997 MUB reform ('Modernising University's Governance Structures'). No new comprehensive law has been introduced since but there have been a series of amendments.

More recently, focus has shifted from equality towards increased differentiation. A government appointed national commission highlighted in its 2010 report the need for further differentiation in structure, between institutions and in study programme profile (De Boer et al., 2015). In 2011, the

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[25] Initially this was a biannual system, changed in 1998 to every four years.

"Quality in Diversity Act" strategic agenda was published, covering a broad range of aspects, including performance contracts (Ministry of Education Culture and Science, 2011):

- Increased funding for boosting quality (230 million euro)
- Growing proportion of funding earmarked for profiling
- Introduction of performance agreements focused on quality, profiling and valorisation
- "raising the bar" – increased focus on quality, study success, differentiation, selection, etc
- Emphasis on the "top sectors approach" supported by the government

The changes reduce the emphasis on strict binary divide, but emphasize the need for increased profiling and specialization. Key trends in recent decades are focused on degree structure (2002), quality assurance, decentralization of human resources, and that universities now own their own buildings (Leisyte, 2012). In 2015, the new strategy for 2015-2025 was launched, further emphasizing the quality dimension.

3.3.2 Governance of higher education

The university sector has since the 1960s been considered as separate legal entities, public incorporated organizations (De Boer et al., 2007), which are set down in law, thus their programmes are statutorily recognised. A new quality assurance system was also introduced in 2002, after which the NVAO has been responsible for the system both in the Netherlands and the Flemish part of Belgium. Accreditation is obligatory, and NVAO accredits both universities and HBO. NVAO both assesses the internal quality assurance pursued and the quality of the programmes. The current practices are now being discussed. In 2015 a new proposal was put forward, which in 2016 is discussed by House of Representatives[26].

Overall, Dutch universities are considered rather autonomous and the amended version of WHW is still the legal document for universities. In general, the governance approach is based on the four points highlighted in the previous section. However, the current trend is also described as regulatory autonomy, where the idea is to create more managerial discretion while with increased external control at the same time (Enders et al., 2013). It has been highlighted that performance agreements have functioned as a form of steering mechanism from the state, while also being rather bottom-up (De Boer et al., 2015).

About 2/3 of the funding for universities comes from public funding, with a modest trend towards diversification, the remaining comes from external research funding, contracts, tuition fees, charities, etc. Public funding as a percentage of GDP is slightly over OECD average (OECD, 2015). However, it has been suggested that while this diversification has reduced direct government control, it has simultaneously increased the control of other actors (i.e. intermediary bodies and research councils) (Enders et al., 2013). Thus, the trend is in line with international developments – suggesting indirect steering mechanisms.

However, there is emphasis that the system should have ownership regarding the changes proposed. For example, the strategy in 2011 emphasized in the foreword that the proposed change "cannot be imposed from above but must grow from within and requires the efforts of all those involved in and around higher education" (Ministry of Education Culture and Science, 2011). In general, a key characteristic is that the Dutch system has been rather experimental, but reforms are in general proposed through dialogue and consultation, where there has been an institutionalization of "continuous deliberation" (Maassen & Jungblut, 2014). Thus, despite being one of the most active reformers, these reforms have in most cases been well embedded in the system.

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[26] https://www.nvao.com/quality-assurance-systems/netherlands

3.3.3 Performance component in state steering

The Netherlands operates with performance contracts since 2012, but their legal status until 2016 has been that of an "experiment" which will be introduced into law if the experiences were termed as successful after the first round in 2012-2016 (De Boer et al., 2015). The notion of introducing more contractual relationships was already launched in 2005 in a green paper (De Boer et al., 2007). In 2008-2011 a test period with collective agreements with the sector took place, in general showing that sector-wide shared targets did not sufficiently take into account the different profiles and conditions of various institutions (De Boer et al., 2015).

The current rationale for introducing individual contracts can be found in the 2010 public committee report mentioned earlier, that emphasized the need for more institutional profiling and differentiation, and the following 2011 Quality in Diversity strategy. The process also illustrates how the change process towards more contractual relationships has also not been abrupt, there has been a learning process, and the general development can be seen in line with the tradition for embeddedness of such change processes in the Netherlands.

The process had a number of steps (De Boer et al., 2015; Maassen & Jungblut, 2014). First, in 2011 the ministry made agreements with both of the sector representing organisations – VSNU (universites) and *Vereniging Hogescholen* (HBO sector). Early 2012, each institution (both universities and HBO) submitted a four-year plan for improvement, including both quantitative targets and plans for profiling and quality enhancement. Seven indicators were used to set performance targets (primarily focused on education) and each institution had to provide a target for 2015. It should be noted that the indicators were based on indicators already in use (thus no new data collection procedures were introduced). These proposals were reviewed by an independent "review committee" – and these were evaluated on a five-point scale according to ambition, alignment (double weighed) and feasibility. The review committee is composed of five persons, who were appointed by name with a fixed term until the end of 2016[27]. The committee work is supported by a secretariat. The scores by the committee were later that year turned into a performance budget that was 7% of teaching budget – composed of 5% conditional funding (PA based) and 2% selective funding (competitive, only for the best rated – the scores were weighed here where those with highest scores were prioritized). All institutions were evaluated against their own particular profile and local context. The outcomes did lead to some diversification within the system - best scoring university received 3,5 € million extra, the one with the lowest score receiving 1,5 € million less. (De Boer et al., 2015; Maassen & Jungblut, 2014).

Issues that have been highlighted include the implications of this on system differentiation (i.e. creating clusters of status), and the extent to which such funding would be used for intended purposes within institutions (Maassen & Jungblut, 2014). In general, the system has been received positively and it has been reported that institutions express a sense of ownership with the agreements (De Boer et al., 2015). A number of the HBO have reported that this helped to put quality on the agenda and research universities viewed this as an opportunity. However, the current debate appears to be somewhat more cautious. Some would argue that there is increased focus on the specific indicators at this point, rather than viewing the agreements as comprehensive instruments. However, as the period of evaluation is coming up, this can be seen as a natural development, as assuring success on the indicators has become important to avoid possible financial penalties.

In terms of profiling, the review committee provides a yearly report on progress and they have reported major progress in terms of differentiation in educational provision and programmes. However, this is a difficult aspect to measure (i.e. what is the threshold for measuring differentiation). It is considered that the performance agreements have led to more direct dialogue between the ministry and the institutions, which had earlier to a larger extent taken place through the sector representing organisations – VSNU (universites) and *Vereniging Hogescholen* (HBO sector).

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[27] a. Prof. dr. F.A. Vught, chairman; Mr. O.G. Brouwer; Mr. J. Kamminga; Mrs. Prof. H. Maassen van den Brink; Prof dr. A. C. Nieuwenhuijzen Kruseman.

Currently, the system is going to be evaluated. An independent evaluation committee with broad representation has been appointed, they are set to deliver their report in March 2017. In addition, there is an evaluation by the above mentioned review committee regarding the goal attainment by the institutions.

3.3.4 *Institutional governance*

A number of the trends emphasized above also implicitly include the focus of making universities more like "corporate actors" through processes of hierarchy building and centralisation (De Boer et al., 2007), as the internal governance structures emphasize concentration of power on both academic and administrative matters (Leisyte, 2012). This suggests that while autonomy is present in current reform debates, one should also distinguish various facets of autonomy. For the Dutch case in particular, this has been important as increases in autonomy have not been uniform: "managerial autonomy in finance and human resources has increased while new strings have been attached in parallel to strengthening leadership and management in universities", while "political and governance autonomy are still rather limited. Legal autonomy has not changed and financial autonomy from government is still low as well." (Enders et al., 2013). However, recent developments in autumn/winter 2016 suggest that for example at University of Amsterdam there is now increased discussion on university democracy[28].

The universities have operated with institutional boards for some time, but their formal authority has changed. Provisions for university boards was changed with the 1997 MUB Act ('Modernising University's Governance Structures') that reduced collegial control in universities (Enders, De Boer, & Leisyte, 2008). Currently, universities operate with supervisory boards that are appointed by the ministry and thus considered accountable to the ministry, with all external members. The boards have 3-5 members. New members are nominated by the current board, with the exception of one (of up to five) member who is being nominated by the participation council. The participation council is the internal representative organ in the institution. The proposed members are selected based on specific competence profiles that are public. The overall combination of profiles and the composition of the board is expected to contribute to their ability to operate in a solid and independent manner. Thus, different kinds of profiles can be emphasized (for example – administrative expertise or knowledge on particular thematic areas). The members are considered as "highly respected persons" (Leisyte, 2012), but should not have any conflicting interests nor be members of parliament. While the members are formally appointed by the minister, the positions are not considered political appointments by those within the system, and are based on the evaluation of their competence to perform the task, in light of the competence profile.

The main tasks of these boards are approval of university regulation, strategic plans, organization and the budget – thus they are overall statutory organs. Section 9.8. in the law lists the following tasks:

a. appointing, suspending, dismissing and determining the remuneration of the members of the executive board;
b. approving the governance and management regulations;
c. approving the budget, the annual account, the annual report and the institution plan;
d. where applicable, approving the communal scheme referred to in article 8.1;
e. supervising the executive board's compliance with statutory obligations and its handling of the sector code referred to in article 2.9;
f. supervising the lawful acquisition and the effective and lawful allocation and utilisation of the funds obtained under articles 2.5 and 2.6;
g. appointing an auditor as described in section 393, first paragraph, of Book 2 of the Civil Code who reports to the board;

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[28] University of Amsterdam is holding an advisory referendum on issues related to democratisation and decentralisation. http://www.uva.nl/en/news-events/news/uva-news/uva-news/uva-news/content-7/folder/2016/11/democratisation-referendum-23-november-–-11-december-'let-your-voice-be-heard'.html?page=2&pageSize=20

h. supervising a quality assurance system in accordance with article 1.18, and

i. reporting annually on the performance of the task and the exercise of the powers referred to under a to h in the university's annual report.

Furthermore, "national law also prescribes a further top-down decision-making on managerial positions", thus university governance structure is to some extent prescribed (Enders et al., 2013). The supervisory boards primarily work towards the institution. The ministry deals otherwise primarily with the university leadership. 1-2 times a year there is a meeting with the chairs of the supervisory boards and the ministry.

In addition to the supervisory board there is the executive board (*College van Bestuur*) that is responsible for the internal executive line and management of the institution. The executive board composes of the central leadership of the university.

In the HBO sector also operates with a similar division between supervisory and executive boards.

3.3.5   Brief summary

The Netherlands has a binary higher education system – with universities and the HBO sector (universities of applied sciences). There are 13 universities and 43 HBO in the system. Universities are considered as public incorporated organizations, HBO are incorporated by law but otherwise private bodies. The higher education system is considered as rather efficient and well-performing in various international comparisons of performance. The Netherlands was one of the front-runners of modernization reforms in the 1980s, and key trends since include focus on deregulation, devolvement of governmental authority, a shift towards ex-post evaluation, performance funding and more competition. Traditionally the system has been characterised by focus on equality, while more recently emphasis has been put on efficiency, diversity and profiling. About 2/3 of the funding for universities comes from public funding, with only a modest trend towards diversification. Despite being one of the most active reformers, these reforms have in most cases been embedded in the system, due to a deliberative approach to reform attempts. Universities have since the 1960s been public incorporated organizations. Overall, Dutch universities are considered rather autonomous.

Performance contracts were introduced in 2012, and the first round will be completed in 2016 when it will be evaluated to decide whether this will be incorporated into the law. The idea of contracts was already put forward in 2005 and there was a test period with collective agreements in 2008-2011. The current rationale for introduction of individual contracts can be found in the following 2011 Quality in Diversity strategy, as the need for more institutional profiling and differentiation has been emphasized in the system. 7% of the teaching budget is performance based. The process is monitored by a review committee, who has provided a yearly report on progress. Currently, the system is going to be evaluated. An independent evaluation committee with broad representation has been appointed, they are set to deliver their report in March 2017.

Key trends in institutional governance have included emphasis on centralization and strengthening of managerialism, but there are some indications that this might be changing. The universities have operated with boards for some time, but their formal authority has changed over time. Currently, universities operate with supervisory boards that are appointed by the ministry and considered accountable to the ministry, with all external members. The external members are proposed by the institutions (one is proposed by the representation council in institutions). The main tasks of these boards are approval of university regulation, strategic plans, organization and the budget – thus they are overall statutory organs.

3.4   Norway

The Norwegian Higher Education System is relatively young in comparison to many European counterparts. The oldest university is University of Oslo that was established in 1811. The remaining of

the comprehensive research universities were established after WWII. Three specialized universities in agriculture, technology and business administration were established between 1880 and 1940. The higher education system now consists mainly of public institutions, but with one rather large private business school (BI) and a number of smaller private institutions in specialized areas. As a rule, there are no tuition fees in public universities. Private institutions can charge tuition fees.

The Norwegian higher education system has traditionally been a binary system, consisting of universities (including also specialised universities) and university colleges (Kyvik, 2004). In recent years, this binary structure has been under pressure, and as a consequence of various merger processes the sectoral divide has become rather blurred. All institutions have been governed by the same law since 2005, and covered by the same national funding model.

Today there are 260 567students and 35 451[29] staff (measured as FTE) at eight public universities, eight specialised universities (three private and five public) and 12 public university colleges[30]. In addition, there are a number of relatively small specialized institution preparing for work in the police or the armed forces which are not administered by the Ministry of Education and Research. The number of students have risen the last years, and the number of institutions decreased as a consequences of mergers.

The degree structure consists of a three cycle structure, in most cases following the 3+2+3 structure. Exceptions apply for some integrated professional programmes: for example, degree in architecture (lasts for 5 years and provides a masters' degree), and some health professions (i.e. medical doctors).

3.4.1 Main reform trends

The current system is a result of merger processes. In 1994, 98 vocationally-oriented colleges merged into 26 state colleges (Kyvik, 2004). The universities and the specialised universities are research oriented, and have responsibility for basic research and doctoral education. The difference between universities and specialized universities is that specialized institutions are focused on narrow subject fields and they are not comprehensive (i.e. Norwegian School of Economics). The university colleges are more oriented towards education, and have been primarily responsible for shorter, professional higher education (Kyvik, 1999). However, in recent years the formal division between the type of institutions has become more blurred. This academic drift already started after the 1994 mergers, but was intensified after the Quality Reform that was set into action in the study year 2003/3004.

The Quality Reform has been the most important reform in the last 15 years in Norwegian higher education. The reform has been linked to the Bologna Process, but in a range of aspects it also had a strong national anchoring. The overall goal was to increase efficiency and quality of Norwegian higher education. The reform changed the degree structure by introducing the three cycle (bachelor-master-PhD) system, ECTS and a new grading system – following the priorities from Bologna Process. Furthermore, a quality assurance agency was established: NOKUT (the Norwegian Quality Assurance Agency), with responsibility for accreditation of study programmes and institutions.

The reform is often referred to as the most comprehensive reform in Norway (Michelsen & Aamodt, 2007), and in addition to the changes described above, it also led to changes in funding of the institutions as well as steering and governance. This reform made it possible to have appointed leaders instead of elected leaders, and at the same time introduced external members at the university boards. However, initial analysis showed that the reform had little effect on improving study effectiveness, which was some of the main aims of the reform. On the other hand, the reform led to

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[29]

http://dbh.nsd.uib.no/statistikk/rapport.action?visningId=125&visKode=false&columns=arstall&index=1&formel=232&hier=insttype!9!instkode!9!fakkode!9!ufakkode!9!progkode&sti=&param=arstall%3D2016!8!2015!8!2014!8!2013!8!2012!8!2011!8!2010!8!2009!9!semester%3D3!9!dep_id%3D1!9!kategori%3DS

[30] In writing moment august 2016. The sector currently undergoing a series of mergers, thus the number of institutions is changing rapidly.

increased focus by academics on publications and HEIs focus on attracting students in order to get more funding in the new funding model (Maassen et al., 2011).

The Quality reform also opened up the option for institutions to change categories (for university colleges to obtain university status), if they filled specific criteria. Following this change, the number of universities rose from four to seven between 2004 and 2011. Already in 2009 Huisman and Van Vught (2009) noted that the pressure to obtain university status had been strengthened. More recently, it has been argued that this change in fact marked the starting point towards more blurred lines as the process has further intensified (Elken & Frølich, 2016) in particular in recent years.

More recently, there has been debate on whether the Norwegian higher education system is too fragmented and consists of too many small institutions. Evaluating the institutional structure in 2008, the Stjernø Commission report (NOU 2008: 3, 2008) suggested a major merger process and the creation of eight regional multi-campus institutions (Stjernø, 2008, p. 53). This was heavily criticized and opposed at the time, and never obtained the necessary political support. One could argue that this was also an example where the opposition from the sector was taken seriously, and a largely unpopular initiative was at the time taken off the table. However, while many would not agree on the solution (multi-campus institutions), there was also agreement on the diagnosis (too much fragmentation). An alternative solution was proposed, known as the so-called SAK initiative (Cooperation, Division of Labour and Concentration). SAK was launched in 2010, with a key aim to provide financial incentives for the higher education institutions to establish various forms of alliances (including also mergers). The goal was to create robust institutions and to facilitate system diversity as well. In this period many institutions discussed mergers, and some succeeded. For example, the University of Tromsø and the University College of Tromsø merged in 2009, and later Tromsø further merged with the University College of Finnmark in 2013 (University in Tromsø has after this further merged with University College of Harstad and Narvik in 2016).

The more recent mergers have also been facilitated by the new Structural reform. In 2015 the White Paper "Concentration for Quality" (Meld. St. 18 2015) proposed a new series of mergers. The mergers were to be voluntary. While the Minister did not exclude coercion at an earlier stage, when the white paper was launched, coercion was no longer on the agenda (Frølich, Trondal, Caspersen, & Reymert, 2016). However, the quality criteria to obtain university and university college status was to become more strict and those who had not found a merger-partner was put under the label "for further considerations" (Frølich, Trondal, et al., 2016). The institutions will have to follow specific quality criteria that will determine if they can "stand on their own" or whether they would merge with another institution. One could thus argue that there was a clear expectation of further mergers in the sector besides the ones suggested in the White Paper. Effectively, while the mergers were not based on coercive instruments, the quality criteria can be seen as an important facilitator. During 2015 and 2016, a series of mergers have been taking place, and during the writing of the report, the number of institutions in the system is changing on a continuous basis.

The Norwegian higher education institutions do not have tuition fees and are publicly funded, about 80 percent of their income comes from the Ministry (Hægeland, 2015). All institutions are funded by the same funding model, first introduced with the Quality Reform. The new model represented a shift from input oriented to performance based funding (Hægeland, 2015). The model consists of a basic component (60%), an education component (25%) and a research component (15%). The basic component should secure strategic investments and stability in the long run. The education component is performance based (output). The amount of funding depends on the number of credit points produced by the students, and the number of exchange students (both incoming and outgoing). The research component is composed of a strategic part and is also performance based. The amount given by the performance based part depends on the number of delivered PhD candidates, funding competitive grants from EU and the Research Council of Norway and the number of publication points.

The funding model has been a hot topic both in discussions and evaluations and three committees have been put down to evaluate it since it was introduced (2009, 2010 and 2014). In addition, the

Association of Higher Education Institutions (UHR) had their own dissemination committee on the funding model in 2005. There have also been several evaluation reports on the model. In addition, there has been a discussion on how the model could favour dissemination and cooperation between the higher education institutions and businesses (Reiling & Skule, 2014). While model has been adjusted it has not been through any major changes. The last committee report in 2015 does not suggest any major changes either and concludes that the model basically works according to its purpose (Hægeland, 2015). Hence the model seems to prevail despite the many debates and discussions around it.

3.4.2 Governance of higher education

Traditionally, the Norwegian higher education system is based on high levels of trust and a close relationship between the ministry and the higher education institutions. The shift from control towards more indirect steering has also been evident in Norway in recent decades. The state steering instruments can be categories into: Laws and regulation, the structure of the higher education system, agency management meetings and dialog, the funding model and analysis, statistics, research and reports (Hægeland, 2015).

Higher education institutions are governed by the same law of universities and university colleges implemented in 2005 [31]. The law regulates for instance the structure of the higher education institutions, the power of accreditation of institutional types (by NOKUT) and study programmes (shared between NOKUT and the higher education institutions), the degree of academic freedom of the higher education institutions, the nature of the qualification framework, the minimum 20 percent representation of students in boards (institutional and local), and the responsibility of the higher education institutions for learning environment.

The law is explicit in delegating the power of accreditation to NOKUT. Institutions that have institutional accreditation can start up study programmes, but universities and university colleges rights differ. Universities and specialised universities have the mandate to establish or close down study programmes at higher level, while the university colleges need to have a NOKUT accreditation for establishing master and PHD programmes[32]. Non-accredited institutions have to apply NOKUT for establishing study programmes.

Another way of steering is through the annual/biannual governance meeting with the higher education institutions and the ministry. The higher education institutions have to report on their strategic goals, profile and results to the ministry, this is followed up by a response from the ministry and then with meeting(s) to discuss this with the higher education institutions. These meetings are an important steering mechanism in the Norwegian higher education system. More recently the meetings have been changed from once a year to twice a year, with less administrative staff, and more board members from the higher education institutions participating. In general, these governance meetings have become less control and detail-oriented and more based on dialogue with the higher education institutions on their strategy and profile (Frølich & Stensaker, 2016).

In addition to such formalized meetings, there are also a range of other ways for communication between the ministry and the leadership. For example, the yearly conference where all leaders from the sector are gathered to meet with the political leadership, seminars for new board members, written guidelines for board members, as well as the budget allocation letter from the ministry and demands for reporting, and the yearly "Status report" of the sector that the ministry publishes. Overall, institutions are in general rather well informed about current political developments.

There are also other important actors in the Norwegian higher education sector. The Norwegian Association of Higher Education Institutions (UHR) is a cooperative body for Norwegian universities and colleges. UHR aims to be a central supplier of terms to the parliament and government and an

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[31] https://lovdata.no/dokument/NL/lov/2005-04-01-15
[32] https://lovdata.no/dokument/NL/lov/2005-04-01-15

important education and research policy player. To enhance cooperation between the Universities and the businesses a Council of cooperation with working life (RSA) has established at all higher education institutions as a consequence of the white paper 44 (2007 – 2008). However in the state of higher education 2014 the ministry notes that even though the RSAs have been largely introduced there have been delays in developing necessary strategies (Johannessen & Larsen, 2014).

3.4.3 Performance component in state steering

The Quality reform gave the higher education institutions more autonomy and shifted the Ministry's steering of the HEIs towards performance based contracts. The funding model is based on performance, introduced by the Quality Reform. This has also been one of the major effects of the reform as this increased the focus by academics on publications and higher education institutions focus on attracting students in order to get more funding in the new funding model (Maassen et al., 2011).

The annual/biannual meetings between the higher education institutions and the Ministry is also an important steering mechanism that emphasizes performance and increasingly strategic work (see previous section). Furthermore, informal contact with the rectors have become more important (Frølich & Stensaker, 2016). This is within the overall trend of letting the higher education institutions get more autonomy with a less detail- and control-oriented Ministry. As such, the Norwegian system can be characterised by contractualisation as a principal idea underpinning the steering approach, while it has not been formulated as explicit performance contracts earlier.

After a recent public commission, the proposal of more formalized contracts has been put forward. Currently there is a pilot project with selected institutions who now operate with performance contracts. The starting point from the ministry has been that the contract should: a) be based on an individual agreement, b) it should not interfere with autonomy and it should be based on institutions own strategies and priorities, c) the contract should support the realisation of national science policy goals, and d) the contracts should contribute to increased internationalisation.

University of Oslo is one of the institutions in this first trial. In this process[33], university board has provided the ministry with an outline of possible performance goals (April 2016). After this, it has been negotiated at a meeting, and then followed up during the annual funding allocation meeting with representatives from the ministry and the board of the university. The board then took this further to discussion in June 2016, and the performance agreement was debated with university leadership, with input from deans as well. After the board meeting later in September 2016, the revised performance agreement will be sent to the ministry. The performance agreement sets development goals, but these have not been quantified (i.e. "increased success in international research funding"). While the proposed development objectives initially included primarily focus on international research excellence, international collaboration and internationalisation of education, the university also proposed focus on educational excellence. Thus the draft revised version includes: excellence in education (with five specific indicators); research activity in H2020 (3 indicators); increased international collaboration in education, research and innovation (3 indicators). The process is currently still underway.

3.4.4 Institutional governance

Traditionally the Norwegian higher education institutions have had elected leaders (Bleiklie, Lægreid, & Wik, 2008). However, the Quality reform and the new law that followed opened for appointed rectors and leaders at all levels. Rector can be elected instead of appointed if a majority of the university board decides that. (§ 10-2). In the case that rector is elected, he/she acts also as the chairman of the board. In the case that rector is appointed, the Ministry appoints an external chairman. In 2016 the

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[33] See for more information: http://www.uio.no/om/organisasjon/styret/moter/2016/5/v-sak-3-utviklingsavtale-mellom-uio-og-kd-med-vedlegg.pdf

parliament changed the law so that appointed rector was to be the norm, however if a majority of the board decides this, the rector can be elected.[34]

The law states that the institutional board should consist of 11 members, 4 chosen by the staff, 2 students and 4 external members, which are appointed by the Ministry (§ 9-3)[35]. External members are proposed by the institutions (boards) but the ministry can also consider alternative candidates. As it is the Ministry of Education and Research that appoints the members, the minister is formally responsible for the appointment. New board members are also publicly announced on the ministry webpage[36].

Board members are recruited based on their competence as representatives of relevant industry, cultural or societal institutions, and it is assumed that board members should have complementary competencies. People who have political assignments cannot be appointed. All members of the board have equal responsibility for making decisions that are in the best interest of the institution.

The tasks of the board are outlined in the law (own translation, simplified):

1. The board shall work with the institutions educational and research activities, and make plans for the academic development in accordance with overall goals for the sector
2. The board shall establish goals and performance aims and has responsibility for the institutions overall budget and buildings are used in accordance with the authority delegated to the institution.
3. The board shall supervise the leadership of the institution and create procedures for leadership
4. The board approves internal organization on all levels. The organization must assure that students and staff are heard.
5. The board shall on a yearly basis provide budgetary and performance reports to the ministry and put forward new budget for the upcoming year.
6. Board work should be as open and transparent as possible.

A study of the external board members found that in their view the board has an important function in order to strengthen the institution's relation to the external environment, to function strategically and as a collegium. There is a strong tendency in the board to work towards consensus in decision-making. However, external board members also point out that the strategic capacity of the boards could be strengthened (Frølich, Gulbrandsen, et al., 2016). Frølich et al. (2016) note that despite new modes of governance (appointed rectors, external chairmen and external board members) the challenge to strengthen the relationship between the board and the rest of the organization seems to persist.

A number of institutions have chosen elected rectors (Frølich & Stensaker, 2016), but a number of institutions have decided to have appointed rectors. Examining how boards function, few differences regarding the strategic work of the board can be noted between institutions with external chairmen and appointed rector compared to institutions with elected rector who also acts as chairman of the board (Frølich & Stensaker, 2016). Differences regarding the institutions' strategic work seem more related to differences amongst others resources, size, research profile and the institutions own history (Frølich, Gulbrandsen, et al., 2016). The external chairmen see themselves as support for the rectors, rather than independent external players. However, the institutions have in general become more oriented towards strategic decision making (Frølich & Stensaker, 2016).

3.4.5 Brief summary

At the time when this case report was written, Norway had 8 universities, 8 specialized universities and 21 university colleges. While the system has been formally binary, the universities and university

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[34] https://www.stortinget.no/no/Saker-og-publikasjoner/Vedtak/Beslutninger/Lovvedtak/2015-2016/vedtak-201516-050/
[35] Applicable for all institutions except the Sami University of Applied Sciences where it is the Sami Parliament that appoints two of the members. For artistic institutions, Norwegian Arts Council can also propose members, but it is the ministry that appoints them.
[36] See for example the 2015 announcement https://www.regjeringen.no/no/aktuelt/nye-styrer-ved-hoyskoler-og-universiteter/id2461663/

colleges are public entities under the same legal framework. The Quality reform has been the most important reform in the last 15 years in Norwegian higher education, frequently stated as the most comprehensive reform. The system has been characterised by a series of mergers – a large college merger reform in 1994, an opportunity to change institutional categories after the Quality reform, and a new Structural reform in 2015. Currently, the system has universities and university colleges, but there is a wide structural reform taking place at the moment, that has blurred the binary divide. These structural change processes reflect some of the key reform issues in Norway, focused on the fragmentation of the system, and concerns for quality and relevance. Norwegian higher education institutions are largely publicly funded, with about 80% of the funding coming from the state. 60% of this is based on a basic component, and both education (25%) and research (15%) component are performance based.

Norway is currently running a pilot on using performance contracts. However, the annual/biannual steering meetings with the ministry that one has been operating with for some time are rather similar to a contractual arrangement. At these meetings, the higher education institutions have to report on their strategic goals, profile and results to the ministry. The nature of this steering mechanism has changed in the last years, where the ministry is less oriented towards details, and the meetings have become more strategic, as well as being less control oriented and more based on dialogue with the higher education institutions on their strategy and profile. The current pilot on performance contracts is still in its early stages.

In terms of institutional governance, the Quality Reform also opened for the higher education institutions an opportunity to have appointed leaders instead of elected leaders, and at the same time introduced external members at the university boards. In the case that rector is elected, he/she acts also as the chairman of the board. In the case that rector is appointed, the Ministry appoints an external chairman. In 2016 the parliament changed the law so that appointed rector was to be the norm, however if a majority of the board decides this, the rector can be elected. 4 out of 11 members are external, appointed by the ministry. These external members are proposed by the university, but the ministry can also consider other candidates.

3.5   Sweden

The University of Uppsala, established in 1477 and with continuous activity since 1577, is considered the oldest university in Sweden. In the first part of the 20th century higher education was an elite education, provided at eight universities (Hallonsten & Holmberg, 2013). Currently, Sweden has 14 public universities and 2 private universities, 14 university colleges (including 4 university colleges with the right to give PhD-education in selected areas) and 6 university colleges of art (Haikola, 2015).

In 1977, all universities and colleges in Sweden were designed with the same name "högskola". Even though the boundary between universities and university colleges has over time become blurred, there is functional differentiation and division of labour in terms of research intensity. The traditional older universities remain research oriented, younger institutions initially did not get any research funding, and still receive only a fraction of the larger institutions' research appropriation (Haikola, 2015). Thus, it is most appropriate to view the Swedish system as a binary (Bauer, 2000), than a unified system (Askling, 1989) as it sometimes is referred to. The government decides which institutions can use the university label (Kahlroth, 2016). The key difference between the two categories is whether institutions can provide PhD level education. The Higher Education Act (1992:1434) stated that PhD-education is provided at universities (§ 11). However, the university colleges can under certain conditions provide PhD-education in particular areas if they are given this right by the Swedish Higher Education Authority (or the government in the case of private universities). The universities do not need to use the title University in their name, as is the case for *Karolinska institutet, Kungliga tekniska högskolan* (KTH) and *Chalmers tekniska högskola.*

The higher education sector in Sweden has approximately 404 000 students, 75 000 employees, and a conversion of 8 million dollars (67 billion Swedish crones) which respond to 1,6 percent of the Swedish BNP. It is a largely public system, as 90% of the students attend public institutions. There are no tuition fees, except for students outside the EU/EEA-area when they are full degree students (not part of an exchange programme) (Kahlroth, 2016). The system has also been expanding, the share of the Swedish population with at least three years of higher education has risen from 17 to 27 percent from 2001 to 2012 (Haikola, 2015).

The higher education institutions give education at three levels: basic levels, advanced level and PhD-level. ECTS credits are used, where 60 credits equals one year of education (Kahlroth, 2016).

3.5.1 Main reform trends

Historically, the two most important reforms in the Swedish higher education are the reforms in 1977 (H 77) and 1993 (the so-called "freedom reform"). The 1977-reform resulted in the first law for higher education institutions, and the 1993-reform introduced significant legal changes. In 2007 there was a reform of education and study programmes, following Bologna process principles. Even though the reforms have initiated substantial change processes, there is also a strong sense of continuity in the sector (Haikola, 2015).

Swedish higher education went through substantial expansion in the 1960s and 1970s. The Higher education reform of 1977 (H77) was the first reform that responded to the massification process in Sweden. The reform sought to address the fact that large cohorts of youth aimed for admission in higher education. The goals for the reform was personal development, welfare development, democracy, internationalisation and social change. The higher education institutions were to be centralised and regulated. The central agency "Universitets- och högskoleämbetet" (UHÄ) was established to decide the content of the study programmes and the number of students for each study programme. This number was managed through government financial support. Furthermore, the 1977 meant that four different university branches were made into separate universities and nine new university colleges were established. With this reform shorter educations such as teacher's education became a part of higher education in universities and university colleges. As a result, a large number of non-university colleges were included under the umbrella of higher education (Holmberg & Hallonsten, 2015). However, the new university colleges were initially not given any funding for research, as they were teaching-only institutions. As result of the 1977-reform post college education was given at national, regional or local university colleges (Haikola, 2015). 1977-reform also implied big changes in the internal governance of the higher education institutions, as management of universities was emphasized. There were regional boards, who had the aim to secure that the region got the needed education and its content (Andrén, 2013)

The University- and College University reform in 1993 was a shift towards more autonomy for the higher education institutions. It marked the end of centralised planning of study programmes, and thus a shift away from a strict state control model of governance. Rather than micro-managing the content of study programmes, the government now only would decide which study programmes would be offered, and institutions obtained autonomy to decide about the content. Furthermore, it was student demand that was to regulate the number of students at each higher education institution. Higher education institutions obtained more autonomy regarding the organization of education, educational provision, admission, appointment if professors, career opportunities for teachers, institutional organisation, the use of government funding and reallocation of research funding. Students also obtained more power to choose elective courses as a part of their study programme, introducing a higher degree of flexibility. This is a special characteristic of the Swedish higher education institutions. The reform also reintroduced bachelor level education (fil kand) based on individual, free courses, and an exam which had been abolished in the 1980s. However, the government was still involved in managing educational content for teachers, nurses, medical doctors and engineers. This reform also introduced performance management, with economic incentives based on performance and

throughput (admitted students who also finish the programme) (Bauer, Askling, Marton, & Marton, 1999; Engwall & Nybom, 2007; Haikola, 2015).

The 1993 reform, alongside other new arrangements strengthened research function at non-universities in the following years. The university colleges also obtained the right to apply for university status. In 1999 three university colleges obtained university title, and between 1998 and 2000 four university colleges were given the right to give PhD-education at specific academic fields. In general, research capacity in college sector rose, and the levels of research funding rose among the universities. In 2005 the Mid Sweden University was the fourth college to obtain university status (Holmberg & Hallonsten, 2015).

The Research bill in 2004 was an attempt to focus research funding and achieve greater concentration of funding. The first excellence initiative with a performance component was introduced (Hallonsten & Silander, 2012). In 2006 the minister of education stated that the number of universities in Sweden should not increase further (Holmberg, 2012). However, an announcement has been made that Malmö University College will become a university in 2018. Since 2006 the government has urged higher education institutions to collaborate, but only two mergers have taken place since. The university of Växjö and Kalmar University College merged into the Linneaus University in 2010 and Gotland University College was merged with Uppsala University in 2013 (Holmberg & Hallonsten, 2015).

The higher education reform in 2007 was meant to harmonize the Swedish higher education with other European countries as a consequence of the Bologna reform (Haikola, 2015). This reform resulted in that Sweden got a real master's level for the first time.

Another change was from research areas to academic fields as a basis for PhD education. Earlier, university colleges could apply for *research areas* or faculty (for example medicine, engineering, social science etc) where they could offer PhD-education. This has been replaced it with the opportunity to just apply for the right to give PhD-education in an academic field (i.e. occupational therapy, nursing, economics etc). Since an academic field is more narrow than a research area, this new arrangement made it more realistic for university colleges to apply for this option. In 2010 seven new colleges obtained a right for PhD education. However, this new arrangement does not provide any additional financial support (Holmberg & Hallonsten, 2015).

3.5.2 *Governance of higher education*

The two main laws for higher education are the Higher Education Act (1992:1424), and the Higher Education Ordinance (1993:100), which apply for both universities and university colleges – and the law explicitly uses the term "higher education institutions" to cover both. These laws state that every higher education institution must have a board and a rector. The Higher Education act (1992:1434) states that the Parliament decides which institutions (Universities and university colleges) there should be (1 §), and the ministry has decision-making power about institutional status (i.e. university status).

The higher education institutions have a high degree of autonomy in teaching and research matters, and internal governance through representative bodies (Bleiklie et al., 2008). Rectors have always been appointed by the government, and still are. Before 1998, a specific body (valförsamlingen) at each university/university college elected a vice chancellor who was then vetted by the government. After 1998, university boards control the process, and may appoint advisory boards (hörandeförsamligar) before they appoint vice chancellor. However, these advisory boards most often function as the old bodies and university boards rarely overrule them.

The higher education institutions are autonomous institutions, governed by the Ministry of Education. Except the Swedish University of Agricultural Sciences, which is governed by the Ministry of Enterprise and Innovation. The higher education institutions have high levels of autonomy in deciding about education. Universities decide which programmes to provide at bachelor, master and PhD level,

but the right can be revoked after evaluations. University colleges have similar rights for bachelor level, but have to apply for master and doctoral programmes (Kahlroth, 2016).

As described in the previous section, from 1993 the number of students at each study programme are decided by student demand. Education is funded based on output, based on the number of degrees and credits, with an upper limit of the amount of financial support possible to obtain. Public funding for education is diversified according to various fields/disciplines (Haikola, 2015). Overproduction is not funded, but can be "saved" to cover for coming year's underproduction. Similarly, underproduction can be transferred to next year. In this manner, funding can take into account yearly fluctuations of students.

The higher education institutions also get financial support for their research activity and PhD-education, though a major part of this goes through the Swedish Research Council (Kahlroth, 2016). In 2008 5 % of the government basic grant to higher education was dependent on research performance, a number that in 2012 was increased to 10 % (Sandström & Sandström, 2009).The remaining 90% of funding is not performance based and is in reality an annual increase based on the amount of funding from the year before (based on the government's annual appraisal of price and salary increases). However, the government is free to increase available funding, and such decisions do not need to be based on specific evaluations or similar.

3.5.3   Performance component in state steering

Sweden does not operate with formalized performance contracts in the strict sense. However, institutions and the state agree upon a "public service agreement" (*regleringsbrev*) on an annual basis. In these agreements, the obligations and aims of the higher education institutions are clarified. The overall basis or the operation of higher education institutions is in the law, the service agreement stipulates specific goals for the institutions, and requirements for reporting and funding. For example, in the agreement for 2016, gender equality was one of the identified goals for the sector[37].

There has been use of performance based funding that targets specific institutions (the 5%-10% funding outlined in 3.5.2.). Early experiences with the 5% performance funding element led to the situation that some of the institutions opted out as the procedure was perceived as too cumbersome and the incentive was not large enough (Gornitzka et al., 2004). As highlighted above, this share has now been increased to 10%. At the same time, it still appears that this performance steering by the state is considered as largely symbolic. Nevertheless, competition between institutions has become much more prominent in recent years. Seeing the changes in the light of the main international trends it is interesting to observe that the performance element is still moderate in the steering mechanism. At the same time, the market rhetoric and emphasis on efficiency has been on the increase in the system (Wedlin, 2016).

3.5.4   Institutional governance

The Rector is appointed by the government[38], this practice has a long tradition in the Swedish context. Prior to 1998, there was a body at each university/university college (*valförsamlingen*) who elected a vice chancellor who then was vetted by the government. This process is now controlled by the institutional board, who can appoint an advisory board before appointing a vice chancellor.

Several changes to the board have been introduced. One major change was introduced in 1998 when the rector was not to be the chairman, but just an ordinary member of the board. Today the board should consist of a chairman and 14 board members. The rector should be part of the board, and the board should appoint a deputy chair. Teachers should be represented by 3 board members, and the students with 3 board members – unions have two or three non-voting members (The Higher

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[37] http://www.esv.se/statsliggaren/regleringsbrev/?RBID=17189
[38] http://www.uka.se/fakta-om-hogskolan/universiteten-och-hogskolorna.html

Education Ordinance 1993:100). The board of governors shall elect one of its members to act as deputy chair (Ordinance 2012:584).

Table 1 - Changes in the board of governors from 1993-2014

From	Chairman	Deputy chairman	Board members	Students at the board
1993/94	Rector	Vice Rector	At least 12	Should be represented
1994	Rector	Chosen by the board	At least 12	Should be represented
1995	Rector	Chosen by the board	At least 14	At least 2
1998	Appointed by the government	Chosen by the board	Rector and 13 members	3 board members
2007	Appointed by the government	Chosen by the board	Rector and 13 members	3 board members

Source: Haikola, 2015, p. 93

Since 2012 there has been for the first time regulations of how the nomination of the board members should be practiced. After a change in 2016, the nominations are put forward by two nomination persons. One of the nominating people should represent state interests and is appointed by the government, the other should have good knowledge of the institutions activities and is appointed by the government on the basis of a proposal from the institution.

The boards of governors of higher education institutions have multiple tasks described in the law. The boards responsibility is also under the legal framework of boards for government agencies and institutes, and regarding procedures for annual reporting and budgeting. In addition, law on higher education stipulates that the board shall decide (shortened text from the law)[39]:

1. on important issues relating to the overall operational focus and organisation of the higher education institution,
2. on annual reports, interim reports, budgetary records and important reports, and otherwise ensure that the institution has an internal management and auditing system that functions in a satisfactory manner,
3. on measures resulting from audit reports and audit memoranda from the Swedish National Audit Office,
4. on guidelines and audit routines for internal auditing and measures resulting from the observations and recommendations arising from internal audits pursuant
5. on important issues relating to the internal allocation and monitoring of resources,
6. on questions that are to be determined by a staff disciplinary board
7. on the admissions procedure laid down in the law
8. on rules of procedure with important regulations on the overall organisation of the higher education institution, delegation of authority to make decisions, the management of issues and operational procedures in other respects, unless otherwise provided by statutes or regulations,
9. on an appointment procedure,
10. other important regulations, and
11. other issues that are of principle importance.

3.5.5 Brief summary

The Swedish system formally has two institutional categories where the main change is related to the option to provide PhD level education. There are now 14 public and 2 private universities, and 14 public university colleges. Universities are autonomous institutions governed by the ministry. Since the early 1990s, the Swedish system has been going through reforms emphasizing increased autonomy. The system operates with both universities and university colleges, where PhD education is the key difference. However, university colleges can also offer PhD education in narrow areas. There has been an option for university colleges to become universities and an increase in research capacity at

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[39] https://www.uhr.se/en/start/laws-and-regulations/Laws-and-regulations/The-Higher-Education-Ordinance/#chapter2

university colleges. However, since 2004 there have been attempts to concentrate research funding, also through performance funding.

Sweden does not operate with formalized performance contracts in the strict narrow sense. Institutions and the state agree upon a "public service agreement" (*regleringsbrev*) on an annual basis. In these agreements, the obligations and aims of the higher education institutions are clarified. A performance component for research was first introduced with 5%, which was later increased to 10%.

The Rector is appointed by the government; this has a long tradition in the Swedish context. Since 1998 the rector was not to be the chairman, but just an ordinary member of the board. The vice chancellor appointment process is now controlled by the institutional board, and can appoint an advisory board before appointing a vice chancellor. The board of governors has multiple tasks described in the law. The board has a chairman and 14 members, the chairman is appointed by the government. Members are nominated by two persons – one representing state interests and the other with knowledge about the institution.

4 Conclusions and reflections

In this chapter, we provide a brief summary and reflections based on the literature examined and the five case reports. Examining the main reform trajectories, these countries have followed rather different paths, not least as the starting points have been rather different.

In this final chapter we first introduce the brief summaries of the case reports from Chapter 3, followed by reflections regarding state steering and institutional governance, in light of the literature examined.

4.1 Summaries of country reports

In the following, we provide a brief overview of the case reports in three paragraphs each – with one paragraph focusing on key reform trends, a paragraph focused on the use of performance steering instruments (i.e. contracts), and a third paragraph on institutional boards. For more detailed information, please view the case reports in Chapter 3.

England. The English system was formally unified in 1992, but is now characterised by a high level of institutional diversity. There are 131 higher education institutions with public funding (excluding further education colleges. Institutions are either registered (pre 1960) or exempt charities. The English system was traditionally characterised by high degree of self-governance and academic autonomy, and it is only since the 1970s that attempts for more steering emerged. However, the country has been characterised by strong steps towards increased use of market mechanisms, not least in recent years. Currently, the governance structure is being reformed, further towards market mechanisms, restructuring existing intermediary bodies in the governance system. Funding councils will be abolished, and whole UK higher education will be governed by two bodies: a single market regulator for education – the Office for Students (OfS); and a single research and innovation body - UK Research and Innovation (UKRI).

England introduced a research evaluation system already in the 1980s, and the system has undergone a series of changes since. The Research Excellence Framework (REF) is the current evaluation scheme and it is also used as a basis for funding decisions. Currently, a parallel framework for evaluating education is being developed – the Teaching Excellence Framework (TEF). TEF is generally received positively by the public, but there is still ongoing debate regarding the metrics.

Since 1992 the system in England is considered as a unified system, as polytechnics obtained university status. Most universities legally considered as charities, but there is some variation in constitutional provisions under this legal definition. The system is very diverse, also in terms of governance structures. The roles and functions of the governing body are described in The Higher Education Code of Governance. The Code provides a guideline, as there would be variation due to the

constitutional requirements of the institutions. The governing body must have external majority but there is an expectation that staff and students are also represented. New members are appointed by the governing body, following advice from a Nominations Committee (or similar) appointed by the governing body. Existing studies suggest that the instituional governing system is generally viewed as well functioning.

Finland has a binary higher education system, with universities and universities of applied sciences (UAS)(earlier polytechnics). Currently there are 14 universities and 24 UAS. Finland went through rather typical trends in governance – with emphasis on accountability and efficiency emerging as key issues during the late 1980s in the system. The governance arrangement is characterised by a high degree of pluralism in terms of actor involvement in governance. Current governance arrangement is to a large extent the result of the 2009 autonomy reform. This reform can be considered as one of the most radical ones in the Nordic countries, turning universities to independent legal entities: corporations under public law or foundations under private law. UAS sector has also recently undergone a major governance reform, since 2015 the UAS and the organizations running them became one legal entity. Legally they are now considered as limited companies.

Finland has also comparatively long experience with performance agreements. Currently, the system operates with four-year performance agreements. These agreed upon objectives should be in line with the general aims for the higher education system. The agreement concerns profile, focus areas, development and public funding outside of the formula-based core funding. In 2016, the negotiations are underway for the 2017-2020 period – and there have been indications of a more strategic emphasis and simplified structure. Currently, about 2/3 of university funding comes from the state through direct core funding, based on formula. For UAS, there are also four-year performance agreements, broadly rather similar to the universities.

Finland has been operating with external members in the board already since 1997. According to the law in place now from 2009, the organs of the public university include the board, rector and the collegiate body of the university. Minimum 40% of the board must be external, and the chairman must be external. Board members are elected by a collegiate body of the university. For universities that are foundations under private law the system is somewhat different, as the role of founding partners is more important (see section 3.2.4. for more detailed description). In the UAS sector, the board that composes of head of institution, as well as both internal and external members. These members are appointed by the organization that operates the UAS.

The Netherlands has a binary higher education system – with universities and the HBO sector (universities of applied sciences). There are 13 universities and 43 HBO in the system. Universities are considered as public incorporated organizations, HBO are incorporated by law but otherwise private bodies. The higher education system is considered as rather efficient and well-performing in various international comparisons of performance. The Netherlands was one of the front-runners of modernization reforms in the 1980s, and key trends since include focus on deregulation, devolvement of governmental authority, a shift towards ex-post evaluation, performance funding and more competition. Traditionally the system has been characterised by focus on equality, while more recently emphasis has been put on efficiency, diversity and profiling. About 2/3 of the funding for universities comes from public funding, with only a modest trend towards diversification. Despite being one of the most active reformers, these reforms have in most cases been embedded in the system, due to a deliberative approach to reform attempts. Universities have since the 1960s been public incorporated organizations. Overall, Dutch universities are considered rather autonomous.

Performance contracts were introduced in 2012, and the first round will be completed in 2016 when it will be evaluated to decide whether this will be incorporated into the law. The idea of contracts was already put forward in 2005 and there was a test period with collective agreements in 2008-2011. The current rationale for introduction of individual contracts can be found in the following 2011 Quality in Diversity strategy, as the need for more institutional profiling and differentiation has been emphasized in the system. 7% of the teaching budget is performance based. The process is monitored by a review

committee, who has provided a yearly report on progress. Currently, the system is going to be evaluated. An independent evaluation committee with broad representation has been appointed, they are set to deliver their report in March 2017.

Key trends in institutional governance have included emphasis on centralization and strengthening of managerialism, but there are some indications that this might be changing. The universities have operated with boards for some time, but their formal authority has changed over time. Currently, universities operate with supervisory boards that are appointed by the ministry and considered accountable to the ministry, with all external members. The external members are proposed by the institutions (one is proposed by the representation council in institutions). The main tasks of these boards are approval of university regulation, strategic plans, organization and the budget – thus they are overall statutory organs.

Norway. At the time when this case report was written, Norway had 8 universities, 8 specialized universities and 21 university colleges. While the system has been formally binary, the universities and university colleges are public entities under the same legal framework. The Quality reform has been the most important reform in the last 15 years in Norwegian higher education, frequently stated as the most comprehensive reform. The system has been characterised by a series of mergers – a large college merger reform in 1994, an opportunity to change institutional categories after the Quality reform, and a new Structural reform in 2015. Currently, the system has universities and university colleges, but there is a wide structural reform taking place at the moment, that has blurred the binary divide. These structural change processes reflect some of the key reform issues in Norway, focused on the fragmentation of the system, and concerns for quality and relevance. Norwegian higher education institutions are largely publicly funded, with about 80% of the funding coming from the state. 60% of this is based on a basic component, and both education (25%) and research (15%) component are performance based.

Norway is currently running a pilot on using performance contracts. However, the annual/biannual steering meetings with the ministry that one has been operating with for some time are rather similar to a contractual arrangement. At these meetings, the higher education institutions have to report on their strategic goals, profile and results to the ministry. The nature of this steering mechanism has changed in the last years, where the ministry is less oriented towards details, and the meetings have become more strategic, as well as being less control oriented and more based on dialogue with the higher education institutions on their strategy and profile. The current pilot on performance contracts is still in its early stages.

In terms of institutional governance, the Quality Reform also opened for the higher education institutions an opportunity to have appointed leaders instead of elected leaders, and at the same time introduced external members at the university boards. In the case that rector is elected, he/she acts also as the chairman of the board. In the case that rector is appointed, the Ministry appoints an external chairman. In 2016 the parliament changed the law so that appointed rector was to be the norm, however if a majority of the board decides this, the rector can be elected. 4 out of 11 members are external, appointed by the ministry. These external members are proposed by the university, but the ministry can also consider other candidates.

Sweden. The Swedish system formally has two institutional categories where the main change is related to the option to provide PhD level education. There are now 14 public and 2 private universities, and 14 public university colleges. Universities are autonomous institutions governed by the ministry. Since the early 1990s, the Swedish system has been going through reforms emphasizing increased autonomy. The system operates with both universities and university colleges, where PhD education is the key difference. However, university colleges can also offer PhD education in narrow areas. There has been an option for university colleges to become universities and an increase in research capacity at university colleges. However, since 2004 there have been attempts to concentrate research funding, also through performance funding.

Sweden does not operate with formalized performance contracts in the strict narrow sense. Institutions and the state agree upon a "public service agreement" (*regleringsbrev*) on an annual basis. In these agreements, the obligations and aims of the higher education institutions are clarified. A performance component for research was first introduced with 5%, which was later increased to 10%.

The Rector is appointed by the government; this has a long tradition in the Swedish context. Since 1998 the rector was not to be the chairman, but just an ordinary member of the board. The vice chancellor appointment process is now controlled by the institutional board, and can appoint an advisory board before appointing a vice chancellor. The board of governors has multiple tasks described in the law. The board has a chairman and 14 members, the chairman is appointed by the government. Members are nominated by two persons – one representing state interests and the other with knowledge about the institution.

Table 2 - Summary of the case reports

	Performance contracts	Funding related to performance contracts	Institutional boards	External membership in boards
England	No performance contracts. Research Excellence Framework (REF) and Teaching Excellence Framework (TEF)	No performance contracts. (REF is the basis for funding formula. TEF is at this point still early stages)	Heterogeneous system. Governing body with external majority (17-25 members).	New members are appointed by the governing body.
Finland	Performance agreements. Universities: development plan every four years with quantitative performance aims. UAS: similar to universities	Universities: ca 2/3 for core funding based on formula. Performance contracts as a basis for this funding. UAS: 88% is core funding based on formula. Performance contracts as a basis.	University board for public HE highest executive organ. 7 or 9-14 members *(see 3.2.4. for foundation universities)*	Collegiate body elects external members in public universities UAS: board appointed by the organization that operates the UAS
The Netherlands	Performance contracts since 2012 – first round will be completed in 2016.	Yes. Performance contract: 7% of the budget, 5% conditional funding and 2% selective funding. Remaining formula also with performance elements	Supervisory boards, all external members	Appointed by the ministry, based on proposal from institutions (one proposed by representation council).
Norway	Steering dialogue as a form of contractualization. First pilot with formalized performance contracts underway.	Performance based funding used, performance contracts only a pilot. The steering dialogue is the basis for the funding allocation.	Institutional boards with 11 members (4 external, 4 elected staff, 2 students)	External members appointed by ministry, based on proposal from institutions.
Sweden	Contractualization with plans, but no formalized performance contracts.	No performance contracts. 10% Performance based research funding in the grant.	Institutional boards with 14 members, 3 staff representatives, 3 students.	Chairman and 14 members, the chairman is appointed by the government

4.2   State steering and performance agreements

In all of the countries, there is a more pronounced emphasis on performance, either through performance evaluation or performance contracts of various kind. Thus all of the cases broadly follow the reform trends that have been identified in Europe, outlined in Chapter 2.

Examining the notion of performance in steering, two specific elements emerge from the wider literature and the five cases examined here. It is clearly evident that performance agreements can be introduced in multitude of forms, and there are various ways to work with accountability measures in the cases examined. From the extreme market model suggested in English higher education, to the more clearly defined contractual agreements in Netherlands and Finland, and contractual elements/experimentation in Norway and Sweden. The variety in these five countries as well as beyod these case reports is indicative that contractualisation should be seen as a principal idea, rather than a specific and clearly defined instrument, due to the large variation of models that can be found (in terms of scope of funding, consequences for non-compliance, scope of performance indicators, etc). While the English case can perhaps be seen as performance funding instead of performance contract, their experimentation with the Teaching Excellence Framework represents new kind of thinking about indicators for educational performance and excellence.

From the evidence we have collected in this study, unambiguous evidence regarding the link between contractualisation and performance (as opposed to other kinds of steering instruments) has not been possible to identify. There have been studies that indicate more generally that more autonomy, along with governance and competitive research funding can lead to better performance (Aghion, Dewatripont, Hoxby, Mas-Colell, & Sapir, 2010), but studies explicitly linking input and output are generally few, and the evidence in the field is generally ambiguous and to some extent contradictory. Thus there is a lack of studies that would systematically and empirically be able to point out which specific design elements are key to success.

The cases here highlight that there is indeed a move towards more performance elements, and that also contractualisation appears to be on the rise. In Norway this has led to the introduction of first wave of performance contracts in a pilot, and in Sweden one can also identify an increased focus on performance and a form of agreements, without explicitly defining them as performance contracts. Finland and the Netherlands are operating with formalized performance contracts, and generally positive experiences have been reported. Finland here is also a rather interesting case as there has been a clear move towards increased autonomy and reduced direct state steering of the sector in recent years. England here is in some sense an outlier, as there appears to be more emphasis on creating conditions for the market, rather than develop contracts with institutions.

While it is possible to identify general reform trends across countries (see Chapter 2), it is also clear that the specific policy priorities and aims vary across countries. This implies that the rationale and reason for introducing specific instruments has varied, and so has the context in which they have been introduced. This suggests that performance contracts or contractualisation can emerge as a solution for a range of different policy problems. As an instrument it is flexible and can be designed to target specific policy goals. Aims that have been highlighted are often related to strategic positioning, dialogue, better performance, efficiency, accountability and transparency, but with somewhat varying emphasis.

Furthermore, such instruments represent distinct approaches in the national trajectories of evolving governance arrangements. For example – the introduction of performance contracts in the Netherlands also follows a much longer trend in the system where state steering had been in the process of transformation for a long period of time. This means that design elements are and should be embedded in the specific context. The selection of which goals to include and how they should be formed thus becomes an essentially political question in each of the countries. For example, that Norway or Finland included internationalization into the performance contracts can be seen as an example of such a decision. The kinds of issues performance agreements are intended to solve, is a

principal frame for how they are formulated. Furthermore, the context in which they are introduced sets another important frame for their design and operation. Examining the cases in this study, it is clear that there are important social and cultural differences between the countries regarding how change is introduced and managed within the system as well as the tradition for how reforms are developed and adopted.

Generally, while it is clear that all of these five cases have experienced substantial changes in recent decades, it appears that the more incremental and consensus based reform trajectories (i.e. Netherlands and Norway) have created less resistance and conflict in the system than is the case in more radical changes (i.e. market reforms in England). This also resonates with what is generally known from literature on higher education reforms and general public sector reform, that is, path dependencies and context play an important role (see Chapter 2).

4.3   Institutional governance

Research literature is also here ambiguous on the benefits and drawbacks, not least when very directly linked to performane, and the empirical inquires made in this study have not been of a form that would provide grounds for a systematic cross-country evaluation on effectiveness of boards. What it has shown is that there is variation across countries, as could be expected. There seems to be a general trend towards inclusion of external members, while there is still variation in the specific share and nomination/appointment processes. Regarding the election or appointment of leaders, the study has emphasized earlier studies that have also shown that it is likely that the history, traditions and structures of the institution might be more important than whether the rector is elected or appointed. This would give grounds to argue that it is the sum of various instruments and incentives rather than any isolated element that plays a major role.

This does not imply that changes are not possible. However, both the literature examined and the cases here emphasize the role of incremental change processes, and that one should work within the institutional context and culture in the particular country. For example, a study in Norway also showed that the institutions that first introduced appointed rectors were often those institutions with higher degree of technological disciplines, sometimes also associated with a more managerial culture. The Dutch case with emphasis on deliberative approaches also emphasizes that consensus oriented change processes.

What the case reports here have shown is that the four complexities in Chapter 2 fit rather well with the empirical realities in the countries we have examined. This implies that it is very likely that change processes that are supported in the grass-root level would be more effective, having in mind that higher education institutions can be notoriously resistant towards change. There is ample research showing the complexities with trying to shape higher education institutions into more "lean" and "complete" organizations. While the cases here have shown that changes have taken place in the systems we have examined, these changes are also the result of a much more long-term developments, many of which are rather specific to the systems examined.

In all of the countries involved there has been a strengthening of leadership functions and emphasis on strategic behavior of higher education institutions. It is also clear that inclusion of external actors can be an important means to create links to stakeholders and society at large. However, external board members also do not mean the same thing in all cases – in some cases we examined external members are nevertheless people from within the sector, with competence and expertise in higher education, whereas in other cases this can be representatives from the business world or employers with little sector-specific knowledge. This emphasizes the need to assure good communication and collaboration between the board and the institutional leadership.

In chapter 2 the issue of creating links between the boards and the core academic enterprise was highlighted. One aspect that has been very evident in literature and to some extent also in the cases is

the possible decoupling between the managerial and academic governance structures in higher education. Thus one can expect that enforcing strongly managerial reforms from the outside (or reforms that are perceived as such) can also create opposition within the institution by academic staff, in particular when academic norms are already perceived to be under pressure. The increased marketisation reforms in England are a good example of a situation where one can find this kind of increased decoupling. Therefore, is important that boards and leadership structures are also embedded in the academic identity of the institution, to avoid dual logics that would challenge effective leadership by continuous opposition "from below". In literature, the notion of "shared" or mixed governance has been highlighted as one possible solution (M. Taylor, 2013). The key appears to lie in the balance between assuring strategic leadership capacity, institutional autonomy and effectiveness on the one hand, and taking into account the academic and professional logic essential to higher education in the other.

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