

Section 1

THE DEVELOPMENT OF LEADERSHIP POTENTIAL OF UNIVERSITIES

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LEADING THE AUTONOMOUS UNIVERSITY:
CONDITIONING FACTORS AND CULTURE OF ORGANISATIONS
IN THE UK, UKRAINE AND OTHER EUROPEAN CONTEXTS

Introduction. The 2014 Higher Education Law in Ukraine provided for greater fiscal autonomy for universities. That may presage further steps in that direction, though a recent dispute over where authority rested over the processes for the election of a rector, and, indeed, the extensive bureaucracy in getting approval for this journal suggest that state control is still a major factor. This article then is pertinent to further decisions in the near future as the issues and lessons continue to be relevant.

The article treats three issues:

- The concept of the autonomous university, particularly in relations with the state and its agencies
- The impact of factors in the wider context on internal cultures of universities and degrees of autonomy in action
- The nature of leadership in different cultures.

It draws on a number of small research projects conducted by the authors. It was stimulated by involvement in ELITE, a TEMPUS funded programme aiming, among other things, to help establish centres for leadership development in a number of Ukrainian institutions.

We look first at governance, and changes in the way national systems of provision operate when national governments are examining how countries are led and regulated, and the place of higher education in contributing to nation building and development, when there are pressures to federalism contrasting with an increasingly globalised perspective where national boundaries have a lower profile for some universities.

We then consider the case of the UK where, particularly in England, government has shifted the system through a number of phases to a marketised model (Brown and Carasso, 2013). These approaches can be located within the triangle developed by Burton Clark, who postulated the view that systems are subject to a contest for influence among the state, the market and what he termed the 'academic oligarchy'. Perhaps, given the current image of oligarchs, a better label might be academics and their leaders.

McNay (2013) has adapted the triangle to a quadrilateral, splitting the state into its two functions, identified by Clark, as policy maker and as regulator. See figure 1.

The changing situation in Ukraine is then examined. The issue of university governance with focus on organizational culture of higher education institutions in Ukraine has not received much attention, but this country is pursuing reforms

in the higher education sector. Traditional approaches to studying governance and decision making provide useful insights into why and how higher education works the way it does but here the perspective of institutional cultural influences supplements the traditional approaches.

CLARK'S TRIANGLE ADAPTED AS A QUADRILATERAL

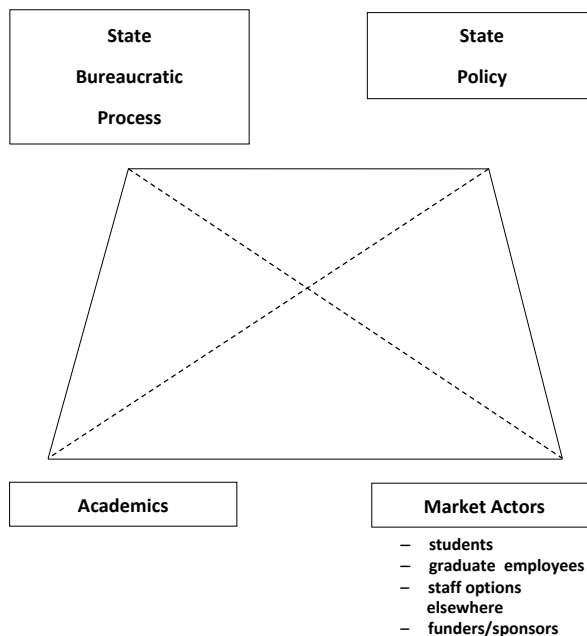


Abb.

Figure 1

The four influential elements in Clark's analysis penetrate institutions in different ways, relating to a model of organisation culture, which we use to articulate further different ways of 'being' and of leading within universities. See Figure 2.

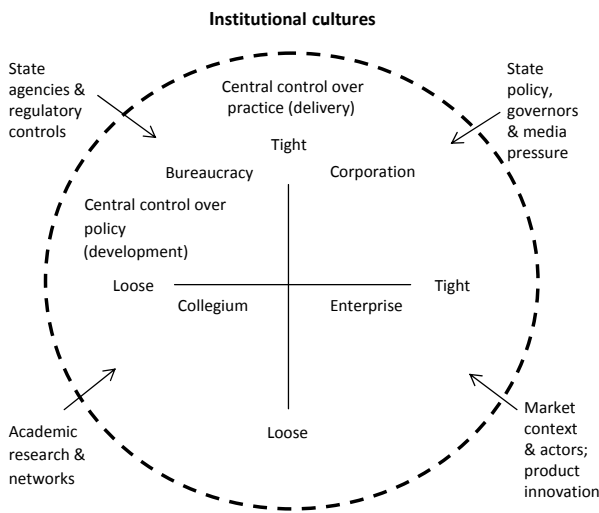


Figure 2

System shifts: Europe

In recent years, governance of Higher Education (HE) systems on the European mainland have moved towards a less Napoleonic/Jacobin framework, to one, more Girondiste, that claims to give more delegated flexibility to institutions. In some cases, a system of renewable contracts has been developed. This can be seen within Ukraine, and assumes a negotiated agreement on strategy between partners, with the universities as an essential element in 'nation building', bringing scholarship and skills development to scientific and economic development, and culture and a critical world view to citizens. In New Zealand, the law gives universities the role of being 'the critic and conscience of society', which implies an autonomy and independence, protected under law, to make the state accountable to its citizens through institutions that, formally, are accountable to the state. So, a complex balance within these competing expectations is needed. We explore that further through findings of a benchmark project conducted for the European Association for Strategic Management of Universities (ESMU), and apply its lessons to Ukraine: 'Reform of [Ukrainian] university governance has to address the need for flexibility and responsiveness to public demands, and at the same time to comply with state regulation' (Osipian, 2014). Those two defining drivers of strategy – service needs of clients and communities and system imperatives for compliance – are at the heart of our argument about interpreting autonomy through leadership.

If there is a shift from state control from the *input* stage – detailed allocation of the budget, what might the alternatives be?

Scrutiny of *output*: audit and accountability, with metrics based on performance indicators and quality criteria, with regulation by agencies – on quality, student satisfaction, research output. The issue of how independent any agencies would be arises. In the Netherlands the universities collectively monitor the quality of teaching and research in member universities of the rectors' conference (VSNU); in the UK most agencies are government funded.

Entrepreneurialism and competition in the *market*, with risks of closure, or financial loss, and of mission drift as popular products displace those of strategic importance. Would government stand by and let that happen?

Stakeholder governance, shared among government, institutions and stakeholders.

Elements of all these can be seen in most European countries. If government does not determine policy, it certainly influences it through:

– Expectation – clarity about strategic ends and fit with national policy, leaving the means to be decided locally – 'autonomously'. Expectation is often seen as instruction given the option of resuming stronger central control, with 'difficult' institutions then being sanctioned.

– Information – e.g. on performance to show those 'succeeding' in a competitive system to drive up standards of achievement.

– Exhortation/persuasion – when the expectations are not being met, universities can be urged down a particular path, perhaps with 'incentives' – usually earmarked funding – to encourage the recalcitrant.

– Legislation – perhaps a last resort, but, for instance, used recently in England to give universities a role of surveillance of students and staff to spot early signs of 'radical extremism' by potential terrorists.

More direct controls are still maintained. A study by McNay (2010) of institutions in 7 European countries concluded that there was '*autonomy, but...*', marking the difference between rhetoric and reality. Comments from institutions surveyed included:

Universities are academically autonomous by constitution, but there are some remarkable restrictions in practical working conditions [So, ministry approval was required for all new master's courses, new research fields, staff appointments and salaries, and leasing of buildings – ownership was forbidden].

Under a new Act, universities are to be regarded as 'independent institutions' under the public sector administration and supervised by the minister'. [The submission noted that the meaning of this 'is not entirely clear' – how is independence reconciled with supervision by the minister and integration in to public administration and its controls and norms?].

We have been given increased autonomy...to implement the cuts imposed by the state. [That involved a contract system guaranteeing longer term funding, to give 'a secure basis on which to plan over a number of years'].

[We have...] ample autonomy. For example, there are no limits to internal organization. Few universities have been able to use the greater flexibility given to improve decision-making capacity and to use resources in the best possible way, even if there are fewer constraints than in the past concerning governance. [The lack of internal impact is not true, in e.g. Denmark and the UK, where an executive, hierarchical structure was imposed by law, with the authority of the academic body significantly reduced].

There were concerns about: performance – based funding in a zero sum game of a capped national budget, which promoted competition rather than co-operation for efficiency; power disparities in negotiating contracts with state agencies, where rector solidarity to defend the whole system of provision was undermined by the competition implied; and over reporting mechanisms, which varied in rigour and equity. So, the state shifted the responsibility for implementing unpleasant and sometimes impossible (because of resource constraints) policies to institutions, where the blame for failure then also rested.

These findings find agreement in other studies. Shattock (2009), reporting on part of a major study of change across Europe, cited the Finnish case study where 'the steering of the Ministry of Education has not loosened although the administrative autonomy may have increased' The Rector of Tampere University was quoted: 'steering through funding has tightened all along...the Ministry of Education strongly influences the universities' actions through its policy' (p47). Shattock also recorded the increase in state steering in the UK, paradoxically linked to steps to open universities to market forces, explored further below, which reduced the independence of the HE Funding Council for England (HEFCE) as an intermediary body.

In a study of governance reform in Georgia and Armenia, Dobbins and Khachatryan (2015) showed that although there has been a strong influence of market-oriented Anglo-American models, and new models of co-governance between the state and university management, policy learning from the west has been applied selectively and tactically, with market-oriented steering instruments being adopted only when they do not undermine the state's means for political control over HE. Yet as long ago as 1990 Wasser (1990) linked shifts in state funding to a need for a market-oriented approach by universities to compensate. Brown (2011) has contributors from across Europe recording the shift to marketised systems.

Magalhaes *et al.* (2013) report on changes in Portugal, where the University Autonomy Act was rescinded in 2007. The new legal framework reduced the pedagogical autonomy, and reduced collegial authority and collectivity in internal decision-making by the academic community, reducing the role of the senate to an advisory one to the chief executive, and limiting power and influence at devolved, departmental levels. This was balanced by increased involvement and influence from external stakeholders. Similar legal impositions of an executive model, based on New Public Management were also introduced in the UK in 1988, when tenure was also abolished, and 15 years later in Denmark. How the rector, vested with this authority, exercises leadership is considered later in this article.

System shift: the UK

In the 1980s under Margaret Thatcher, the UK was close to King's 'regulatory state' (King, 2007). The mantra was 'value for money' and institutional leadership was concerned with economy, efficiency and effectiveness. Funding for higher education was reduced, though the then universities had the unit of resource protected by reductions in student numbers. The polytechnics were harder hit. In 1988, the government 'nationalised' the polytechnics and colleges, removing any involvement by local authorities that had sponsored their creation and development. Funding councils were established for the two sides of the 'binary' system, with roles much closer to agents of the state than the 'buffer' body that the University Grants Committee had been. In 1992, the binary system was abolished and universities, polytechnics and other HE Institutions were funded by the same agency, but with four different arrangements for the four countries of the UK. This allowed comparisons of costs within a single structure and a levelling down to polytechnic levels. The traditional universities lost autonomy; the polytechnics gained, not least by having degree awarding rights.

The next period saw a move to Neave's 'evaluative' state (Neave, 2012). With financial *input* now more selectively controlled, and some funds earmarked for bidding within certain policy initiatives, greater emphasis was put on *output*, with a quality assurance agency using inspection visits to assess teaching, a research assessment exercise with quality ratings by discipline 'to inform funding', and a widening range of performance indicators. Institutional information was published by the HE Statistical Agency, and various media outlets developed league tables based on their own selection of indicators. Institutional leadership gave a lot of attention to these tables with strategic objectives summarised as 'rising to the top 10/20/50 in the league tables'. The objective related to current position and a self-perception of what kind of university was defining the strategy, since the factors used in most league tables related to an elite concept, close to those universities attended by government ministers. So, high entry grades rather than widening access and social diversity; a large proportion of first class degrees, rather than 'value added'; research in preference to teaching; graduate employment rates, which discriminated against those institutions taking students from minority ethnic groups who suffered racial discrimination in the job market. So, diversity, previously represented and protected through structural separation, became a hierarchy. 'University' had different connotations from 'Polytechnic' and the change of designation induced an urge to imitate an inappropriate isomorphic model, risking the vocational and access missions of the polytechnics which were seen as less prestigious than the academic role of the established universities.

The concept of *excellence* which the league tables claimed to represent was overlain on the previous three Es – *economy, efficiency, effectiveness* (McNay, 2003). A final E emerged during this century as the system became more marketised – *enterprise*, both as a skill to incorporate in to the curriculum to enhance *employability* in the economy, and as a culture to be encouraged among universities. The market was still controlled, though – supply, demand and price – by government. Undergraduate fees were re-introduced in 1998 at £1000, tripled in 2004 to £3000, and tripled again in 2011 to £9000 (12000 euros). This price was set by government – notionally as a maximum after 2004, but one that most HEIs

adopted so as not to be seen as 'cheap': cost was a proxy for quality rating. By placing limits on home/EU undergraduate numbers, with penalties for exceeding them, government also controlled supply of places until the 2015 entry cycle, and affected qualified demand for places by changes to the standards of school leaving examinations. It should be emphasised that HE is a devolved responsibility and the four governments adopted different attitudes: Scotland removed fees for Scots after one year and has not introduced them, so applications have remained more buoyant than in England; Wales and Northern Ireland have different fee levels, and both refused to follow the English decision on school exams. A recent minister in Wales imposed institutional mergers as part of a 'rationalisation' strategy, and Scotland has seen a review of governance. So, the systems of provision drift apart, but, on the market front, are all affected by UK government decisions on visas for applicants from outside the EU, who not only pay higher fees but are treated as immigrants by a xenophobic Home Office controlling border security.

The coalition government approach was encapsulated in a White Paper (DBIS, 2011), which usually outlines policy intent as a precursor to legislation; that has not appeared as ministers for England make policy by decree:

We will tackle the micro-management that has been imposed on the HE sector in recent years and which has held institutions back from responding to student demand. We must move away from a world in which the number of students allocated to each university is determined in Whitehall. But universities will be under pressure to provide better quality and lower cost.

Foreword to the White Paper: *Higher Education; Putting students at the heart of the system*, DBIS, 2011.

The regulatory and evaluative state continued – see the last sentence – and so did the micro-management, at least in the short term. The first step in moving away from tight number controls was to *reduce* the ceiling set for most institutions and allocate extra core places: 800 to Oxford and Cambridge, who did not want them, and more to others who could recruit the most highly qualified school leavers, and more to those setting lower fees through a 'no frills' model, usually private providers, many being 'for profit'. But, because of the changes to school exams, announced retrospectively only when the results came out, there were fewer leavers with top grades. The designation of private providers also fell in to trouble as several were found to be fiddling the figures or operating at less than a high level of probity in other ways. International student numbers fell for the first time in decades as government failed to join up its policy in managing the market.

The commitment to 'reducing the burdens from information collection' was followed by requiring *more* information – 'key information sets' to help applicants decide on their choice of where to apply, and information on teaching staff qualifications and expertise. The promise to 'strip back excessive regulation on providers' would be shown by a *new* regulatory framework on quality and standards with much greater involvement from consumers/students, a *new* quality framework for careers guidance, a *strengthened* watchdog over institutions' access policies, notionally needed before higher fees could be charged, defence of the office that investigated alleged maladministration of student affairs. Given that costs of teaching are now covered almost entirely by student fees, with much lower institutional grants directly from government, the Competition and Markets Authority will also now be involved to ensure 'fair trading' with students as customers. The list could extend, but this is hardly rolling back the frontiers of the state. What the policies did, even though they were enshrined in expectations, not laws, and were more difficult to control when government subsidy was significantly reduced, was create a public expectation of a customer focused service. That, in turn, affected the internal strategies and approaches of the institutions and their leaders.

In terms of the model in Figure 2, the three periods saw a clockwise shift in balance as predicted by McNay (1995). In the first period, the traditional universities remained as collegial bureaucracies; the polytechnics, with their municipal authority history were bureaucratic corporations – the quadrants twin with neighbours, but are often in conflict across the

diagonal; the first term is dominant in the pairings. The second period saw a slow takeover of the bureaucratic functions by the senior management as the size of 'top teams' expanded. By the start of this century, corporate bureaucracy was the norm in many places, though collegiality was more obvious at devolved level as heads of department acted as a buffer/barrier to protect their academic staff. Enterprise had been rarely seen until this century, when it has emerged into prominence.

Leadership in the three periods, on evidence from work by McNay, was not dominantly strategic, as already implied. In the first period the emphasis was on managing the budget bottom line, a bureaucratic approach of regulation and control; in the second period, 'events' linked to quality assurance were managed, but serially, with little learning for similar future events, and little challenge to those coming, briefly, from outside, to make judgements – getting good scores was essential, so, for instance, students were surveyed about their experience before they hit exams or got the results, and were cautioned that low scores could have negative consequences if they were then seen to be graduating from a low rated university. The third period is recent, but it will be no surprise that the emphasis is on two things: managing brand/reputation in the market, with spend on marketing rising by 30 per cent in two years and staff in marketing units expanding considerably; and managing the 'student experience' which has morphed in to student 'engagement' as a strategy. So, leadership, if any, has been tactical, and closer to management of what happens, rather than looking to a vision and direction of what *should* happen.

That reflected the pressure on heads of institutions to be less leaders of an autonomous organisation and more local managers implementing an externally determined agenda. In the first period reviewed, it was implementing austerity – cutting staff and reducing other costs; in the second, it was responding to performance targets set by government agencies, with records of achievement published annually; more recently, it has been a similar task, but with measures set by a range of external actors:

Universities are now virtually run by the various measures of their performance. They have sacrificed the freedom to make their own choices. Instead, they have to conform to the direction and choices embodied in all these external measures set by others: politicians, the media and management 'experts'.

Nearly all the measurement tools that apply to higher education are designed to influence behaviour. And the higher the stakes – in reputation, or money or both – the more unreliable the results....

...University planning departments today do little planning, at any rate of the long-term strategic variety. Instead they focus on manipulating the data they report – on employment rates, for example – because this data influences newspaper league tables. (Scott, 2015)

That critique is by a professor of higher education, who has also been a newspaper editor, and a university rector. It underlines the permeability of the boundary in figure 2, and the erosion of autonomy in many institutions, with senior staff lacking confidence to assert an institutional identity and destiny that runs counter to the dominant discourse among a small group of power-holders. That discourse combines a government view of the role of universities, reflected in the title of the responsible ministry, which includes neither science nor universities, the bulk of its budget spend, and the globalisation of league tables reflecting the view that that domestic economic role is part of international business competitiveness. The league tables re-enforce the isomorphic view of universities, where research is given overdue weight, even though the majority of universities' budgets relate to teaching, through which they contribute to a country's economic development by supplying highly qualified personnel, with, we suggest, a bigger impact than that gained from spending on research. That is not to deny the importance of research, but to urge balance, and urge rectors and other leaders to be assertive about the major role of their institution and its distinctive identity and place in a system of provision. The 'system' oriented view in the corporate bureaucracy needs balancing by the 'service' view in the collegial enterprise. The leadership

role of a dean or departmental head is often to provide a filter to protect the professional operation from the paperwork operation and a conduit the other way in attempts to try to inform policy from the intelligence gained from being close to a diversified market and to research and innovation by peers elsewhere. This promotes autonomy *within* the university, which is as desirable as university within the system- both produce better outputs than corporate/central bureaucracy.

Our preferred balance of cultures would rank order Clark's elements of the entrepreneurial university (Clark,), from the 'stimulated academic heartland' in the collegium which drives academic discovery, delivery and standards, through the 'expanded developmental periphery' in the enterprise quadrant, to innovate and reach out to the clients and communities served, to the 'strengthened steering core' to frame both those strategically.

System shift: Ukraine

The modern system of Ukrainian higher education was introduced in 1991 when Ukraine became an independent country after the collapse of the Soviet Union. Before 1991 Ukraine was a socialist and communist country for 75 years.

But Ukrainian universities have a diverse historical and cultural heritage. Some track their history back to the sixteenth- and seventeenth-century collegiums and schools that trained the ecclesiastical and political elites of the Polish, Austro-Hungarian or Russian empires (Oleksiyenko, 2014). The first Ukrainian higher education institution was Ostrozka School or Ostrozkiy Greek-Slavic-Latin Collegium established in 1576. In 1632, a collegium was opened in Kyiv to teach theology, Greek and Latin, as well as Old Slavonic. This collegium was closed in a reactionary move to counter its Westernizing influence on the Russian empire and reopened only in the 1990s, renamed the National University of Kyiv Mohyla Academy which is now among leading Ukrainian Universities. The two other flagship Ukrainian universities – Taras Shevchenko National University of Kyiv (1834) and the National Technical University 'Kyiv Polytechnic Institute' (1898) were established in the nineteenth century and now have the highest positions in national rankings of Ukrainian Universities.

During the Soviet period educational policy changed from a distributed, polycentric system to full state monopoly for education at all levels. The administrative-command system of governance introduced the model of 'one-person-management' in higher education: the appointment of the directors and deans of faculties replaced their election (Britan, 1996; Kremen et al, 2006). A new model of higher education funding was adopted –total budget financing (Borodin, 2013).

The independent Ukraine inherited a well-developed system of higher education, the network of establishments with an appropriate material and technical base, with highly skilled personnel, with social infrastructure that enabled the successful resolution of the problems the state faced in the 1990s (Borodin et al, 2013).

'The collapse of the Soviet Union was an important historical event for Ukraine, leading to vigorous educational and cultural developments in promoting and legitimizing independence, establishing new diplomatic relations, strengthening the capacity of democratic institutions, and developing global partnerships in support of the new state. Having served imperial/totalitarian regimes prior to 1991, the Ukrainian university was suddenly faced with the need to recalibrate its mission towards building an independent, modern national state' (Oleksiyenko, 2014: 257).

The crucial moment in the state-building was the development and implementation of the national Ukrainian educational policy, as in the first years of independence, higher education functioned according to the laws of the Ukrainian SSR. Since 1991 the key concepts of the reform in education have been defined by the National Programm Osvida (Ukraine of the 21st century). The legal framework for the higher education was defined in the Law on Higher Education (Cabinet of the Ministers of Ukraine, 2002).

According to the Law on Higher Education (2002, 2014) a higher education institution is headed by rector who is appointed by the Ministry of Education and Science after winning an election at the higher education institution. To address the major issues in the activities of higher education institu-

tions, collegial advisory bodies are established – Academic Council, Budget and Finance Committees. The highest collegial self-governing body of higher education institution is the General Meeting (conference) of its members, organized at least once a year, at least 75% of the total number of delegated should be composed of teaching and research staff. Among the duties of the General Meeting is the signing of the contract with the authorized body (Ministry of Education and Science) on behalf of the university.

To address the major issues of higher education activities in the higher education institutions are established working and advisory bodies, among the working bodies are Rectorate, Deanery, the admission committee; advisory bodies include academic council, budget and finance commission and other (Borodin et al, 2013).

The Academic Council consists of rector's office, deans of faculties and other members of the university (75%) and elected representatives (at least 10%). The Law on Higher Education (2002) provided institutional autonomy to higher education institutions – opportunity to identify suitable forms of studies and administration; recruiting teaching and research staff, as well as other personnel; providing additional education services; developing study and research programs; publishing activities; managing joint actions and collaboration activities; using the institutional estate.

Yershova and Gordiichuk (2013) explore the emergence of autonomy as an issue in Ukraine, with the establishment of a Consortium of Universities for Autonomy in 2003. They saw a key issue as developing a 'blended' version of autonomy drawing on a range of 'world-best' models integrated with the process of developing/retaining a national identity, rather than adopting a single one: 'how much and how far are we ready to retreat from state control and governance in HE?' (p473). The 'blend' will balance the two in their proposals: 'the concept and the control of the learning outcomes should definitely be in the hands of the Ministry', but more curriculum autonomy may be needed because of Council of Europe expectations and Ukraine's place in the European HE Area with its common expectations and the belief that 'universities will not become innovative and responsive to change unless they are given real autonomy' (Yershova and Gordiichuk, p. 473), so that there can be more curriculum innovation and entrepreneurial approaches.

In 2014 after long debates, a new version of the Law on Higher Education was adopted. Mychailo Wynnycky (2014) described the evolution of the law as unique and revolutionary because it was written not by politicians 'but rather was composed, debated, modified as a result of compromise, finalized, and then lobbied by HE professionals and students'. Not surprising then that it gives financial and administrative autonomy to self-governing universities. A briefing for a 'Ukraine Universities Day' in the UK set out 7 principles on which Ukrainian state policy under the minister, Serhiy Kvit:

- Promoting the sustainable development of society
 - Ensuring access (though participation is already over 70%, leading to questions about standards)
 - Independence from political and religious groupings
 - Integration into the EHEA
 - Preferential funding for universities active in research
 - Support for graduate transition to employment
 - HEIs as centres of independent thought'
- (British Council, 2015).

Financial autonomy and entrepreneurial freedom go alongside a commitment to quality, which had been a major concern. The Minister linked the two in reviewing development since independence: 'a fall in the quality of education, an ineffective centralized system of control and financing, corruption, unequal access to quality education, a drop in the know2I-edge and skills of graduates, outdated teaching methods and isolation from new developments outside Ukraine' (Kvit, 2015). Accreditation has been withdrawn from many HEIs on quality grounds and there are mergers of research institutes into universities, so that the number of HEIs is expected to drop from over 800 at the start of 2015 to under 300 by the end of the year, with further reductions to about 100. There are concerns that the Ministry of Finance may be reluctant to cede financial autonomy, but that is crucial to local decision

making in other policy areas. This article gives some elements of a model of universities to promote the desired outcomes, and gives an account of one national model – also a 'blend' of central control and localized autonomy to help inform the further debate within Ukraine and elsewhere.

Organization culture

McNay's work (2013) has shown that university leaders need to be boundary spanners, linking the external turbulence and the need for change with the internal inheritance and the need for identity, security, continuity. There is a need for an integrative narrative, a story in which staff will play active roles, and so which carries conviction by its interpretive rigour. The 'story' should capture the identity of the university, its values and the vision they provide to underpin the mission and strategy.

With leadership as a boundary function, future strategy should be strongly influenced by the balance emerging from weighting internal factors based on institutional inheritance and continuity, and external factors in the changing environment. Trust then needs generating in such an analysis by evident credibility in the narrative and openness in the strategy formation process, with staff at devolved levels – the academic heartland and development periphery in Clark's (1998) labels – who also span boundaries, making an input at the development stage as well as in delivery. That leads to trust in staff to implement and operate within the agreed strategy and to self-manage – what has been labelled 'Lean management'. That involves a message which strongly asserts institutional identity and ownership of the strategy as generated to promote the interests of the institution. It must not be seen as based on implementing, even imposing, an external strategy developed at a distance by system politicians or administrators, whose values and approaches staff may not share or even be sympathetic to.

'An organization's culture is reflected in what is done, how it is done, and who is involved in doing it. It concerns decisions, actions, and communication both on an instrumental and a symbolic level' (Tierney, 1988). The concept of 'organizational culture emerged as a widely accepted, discussed and used instrument of analysis in the 1980s' (Silver, 2010).

There is more to organizations than formal structure. The classic elements of organizational design such as hierarchical structure, formalization, rationality, and specialization are important (Tosi, 1975), and reflect culture and condition it, but they do not fully explain organizational behavior. Leadership, for example, can transform an organization with a formal structure of rules and objectives into an institution that is a responsive, adaptive organism (Selznick, 1957, p.5). Pettigrew (1979) expanded upon Selznick's study of organizations. He views leadership and values as one part of a concept he calls organizational culture. He defines organizational culture as an 'amalgam of beliefs, ideology, language, ritual, and myth' (1979, p.572). Organization is a continuing social system and elements of culture exert a powerful control over the behavior of those within it. Organizational culture induces purpose, commitment, and order; provides meaning and social cohesion; and clarifies and explains behavioral expectations. A strongly articulated culture tells employees what is expected of them and how to behave under a given set of circumstances (Deal & Kennedy, 1982).

The concept of organizational culture is not new to higher education. Enderud (1977) in a Norwegian study of university leadership and decision-making drew on four paradigms which

...see the contemporary university as a) an 'organized anarchy', b) a 'political organization', c) a collegiums or community' or d) a 'bureaucracy'. These paradigms directly suggest or imply that joint decisions in the university are following a) a 'garbage can model' (Cohen, March and Olsen, 1972), b) a 'political bargaining coalition model' (Cyert and March, 1963), c) a ritualistic 'persuasion' model (March and Simon, 1958, and Olsen, 1970) where joint decision making is an 'empty' round table affair between peers in a collegiums, who persuade each other into accepting decision proposals made *a priori* at a decentralized level, or d) a simple 'administrative man' model (Simon, 1965), if not an even simpler rule-oriented model (p. 17).

Clark's (1983) 'triangle of coordination' identified three pressures acting on higher education systems at national level. They were academic oligarchy, the market and the state. McNay (1999) developed a quadrilateral that separated the state bureaucracy from state as policy-maker. In an open systems approach, those four elements penetrated across institutional boundaries. Within institutions, McNay (1995) developed four cultures extending Weick's view of universities as 'loosely coupled systems' (Weick, 1976). They related to the degree of looseness/tightness in control of policy development and control of policy implementation and operation, leading to four quadrants of collegium, bureaucracy, corporation and enterprise. **See Figure 2.**

McNay's (1995) four models co-exist in most universities, but with different balances among them. These differences depend on a range of factors including traditions, mission, leadership style and external pressures.

The key word for the collegium is 'freedom', institutional freedom from external controls, formerly by the church, now mainly by government. According to this model, university management is guided by the philosophy of academic freedom and faculty autonomy. Internal policy formulation and implementation by university management are gradual, which makes the model less suitable for situations of rapid change, though its philosophy can facilitate a more dynamic intellectual life. If the main tasks of the university are teaching and research, most developments will spring from these two activities and decisions will be based within the structures where they are organized – mainly discipline-based departments – within a frame of reference set by peer scholars in the international community. The danger of dominance by this culture is the risk of fragmentation and lack of direction, with individuals pursuing their own agendas without sensitivity to the needs of the organization as a whole.

The bureaucracy emphasizes equity: equal treatment through due process in a representative, collective democracy. Regulation becomes important and this can have many positive objectives: consistency of treatment in policies such as equal opportunities or financial allocations. Universities in this model are likely to be influenced by external pressures, mainly from the government administrative requirements. Policy is formulated by committees, which become arenas for policy development or commentary and iteration with the executives. A good bureaucracy develops data to inform decisions, and provides support to academics through protecting them from external pressures, including constant demands for data. There are problems here, too: a concern for consistency of standards can lead to standardization for convenience; novel ideas cannot be judged through accumulated case law from established ideas; this rigidity can be compounded by the time involved in the cycle of decision-making. It may be a good model for maintenance in stability, but not for rapid change. It has an appearance of rationality, with, often, statistical bases to arguments and decisions, but can be contaminated by political manipulation as members protect their constituencies. The majority of decisions are made according to precedent and changes are difficult to introduce because of allegiance to tradition. The concentration of power in an executive shifts the internal culture, reducing collegial elements, and making the formal bureaucracy as a structure/function more the servant of the executive than the support to the collegium's activities. So, data risks being used to discipline rather than to develop and regulations to control rather than co-ordinate across different disciplines.

In the corporation, the executive asserts authority, with the rector as chief executive, increasingly called 'president' in the UK. The corporate model emphasizes loyalty. Top management has executive authority over policy formulation and implementation. Its rights and responsibilities in this respect are clear, and university academic and administrative staff members are required to follow institutional decisions. This model, based on New Public Management, is claimed to be suitable for making rapid reforms, but power asymmetries may frustrate academic staff members, making them feel disenfranchised. The risk is of a gulf between what McNay (2013) labels the 'paperwork' university, where the

central corporate bureaucracy has an ideal model that is not accepted by those in the 'professional' university struggling to keep collegiality and academic autonomy. Handy (1993) says the power model can only be short term, to deal with crises, but an atmosphere of constant crisis has been generated by government and some rectors as a device for maintaining a strong command and control approach.

In the enterprise model, top management has decision-making authority for policy formulation. However, implementation is usually delegated to sub-organizational operating groups, such as project teams or departments. The purpose of this structure is to respond efficiently to 'client' needs, where clients might be students, graduate employers, research funders, or, in a contract-based system, the government. Customer satisfaction and cost-benefit are also crucial factors for policy implementation. Therefore, it is beneficial to delegate so that the control of policy is flexible, and pertinent changes can be made in a timely manner, with the 'centre' supporting, not directing. This 'culture' is not just about income generation, but an attitude of mind that is, as one student put it 'open to the world and going out to meet it'. It is about market sensitivity, about emerging trends, about imagination and innovation in response to new needs. One industrial trainer saw it as delivering delight:

Delighting customer's means continually coming up with something unusual, which takes the customer by surprise, and which makes your [college/organisation] and its people stand out from the crowd.

It is about understanding and anticipating their needs, constantly seeking out problems and quickly solving them for the customer.

It is about building up long term relationships, not quick fixes, and is undoubtedly the route to competitive advantage.

Customer delight is essentially personal and spontaneous, aimed at raising the self-esteem of the person experiencing it. For that reason, it must be done in such a way that the recipient does not feel threatened, nor be under any sense of obligation (Gilliland, 1993).

That very much echoes the best approaches to teaching; indeed, widening access can be seen as an entrepreneurial activity. It would also serve well as an approach to leadership and management, reflecting Ramsden's claim that two major functions of leadership relate to academic skills – staff development to teaching and problem solving to research.

However, there are some dangers in this model. For instance, there is a risk of loss of coherent policy formulation and implementation, of strategic drift, if market-style criteria dominate decision-making, which externalizes agenda setting again, this time to the market. Furthermore, there is a risk of deterioration in the quality of education if cost-effectiveness is overemphasized. A major example of this model is the for-profit university.

Our preferred balance of cultures, which all co-exist, but with different emphases over time and function, would rank order Clark's elements of the entrepreneurial university (Clark, 1998), from the 'stimulated academic heartland' in the collegium which drives academic discovery, delivery and standards, through the 'expanded developmental periphery' in the enterprise quadrant, to innovate and reach out openly to the clients and communities served, to the 'strengthened steering core' of the corporation to frame both those strategically, and the bureaucracy to support all three and ensure good, equitable and efficient practice.

That implies that those at the apex of the structure lead by listening to all members of their community, and then set a strategic framework commanding consensus and commitment, which allows high autonomy to professionals to self manage and lead project groups. That is supported by recent research on performance management. Kallio and Kallio (2014) found performance management in Finnish universities 'is based on quantitative rather than qualitative measures, and the current management-by-results system has a negative effect on motivation among experts. The motivation to engage in creative, knowledge-intensive work such as the work carried out at universities, is typically intrinsic' (p. 574). Franco-Santos *et al* (2014) defined two approaches:

– *Stewardship* approaches focus on long-term outcomes through people's knowledge and values, autonomy and shared leadership within a high trust environment.

– *Agency* approaches focus on short-term results or outputs through greater monitoring and control.

Stewardship approaches are associated with high levels of staff well-being, which is associated with higher research excellence, student satisfaction, student employability and better financial results. So, it is an obvious approach to adopt. Except that...those in professional, administrative and support roles find agency performance management mechanisms helpful, as they provide greater clarity and focus.

Recent surveys by McNay suggest that the corporate bureaucracy is currently strong in UK universities. During CPD programmes, academic staffs were asked to allocate 10 points across the quadrants to show their perception of the balance of cultures at university and devolved levels. Three modern universities – former polytechnics with imposed executive governance models – are treated as a group. Two research intensive universities – labelled 'traditional' – form a second group. Table 1 summarizes their perception. Note that though the figures are quantitative, they represent qualitative judgements.

Table 1

Perceptions of organisation culture in universities – percentages to indicate balance across four quadrants

	Modern Universities		Traditional universities	
	Institution	Unit	Institution	Unit
Collegium	15	29	27	25
Bureaucracy	25	22	28	26
Corporation	32	21	26	24
Enterprise	28	28	19	25

The figures show that modern universities are low on collegiality and traditional universities low on enterprise. Both have more people seeing them as corporate enterprises at institutional level, but there is more collegial enterprise at devolved level. Work by Rumentsyeva and others (forthcoming) found that in one Ukrainian university, bureaucracy was still powerful, and there was little openness in reflecting on internal characteristics, with resistance to change, particularly the transformational change anticipated by the 2014 Law and by the Minister. There was evidence of organizational 'traps' as excuses for doing little or nothing because causal factors were assumed to be beyond influence – an axiom from the Soviet era.

Other recent research by McNay, now reported here, was based on interviews with rectors and senior staff, present and past, in the new context of high fees and market pressures on English universities.

A key recurrent theme was the leader's role in making students and staff proud of their institution, and what it stands for, often building on shared adversity. But loyalty needs trust on both sides and that was often missing. Poor leadership results from lack of trust by leaders, and is characterized by low communication and visibility, poor judgement/s, lack of perceived fairness and ethical standards, low competence in people skills. Visibility/transparency in use of income from high fees can generate trust.

Competition over resources erodes lateral trust and collegiality as well as being inefficient. Entrepreneurial initiatives need to come from the 'small businesses' at devolved level and so need trust, but two interviewees noted that the central unit to promote enterprise initiatives did the exact opposite because of bureaucratic approaches stemming from a lack of trust. 'Tougher times require more ideas, not fewer, and not risk-averse leaders who see success as having nothing go wrong on their watch. In the new context, there will be more complaints, defensive decisions and low-risk strategies, more game playing and compliant bureaucracy.

Structural distance of top leaders makes delegation essential in 'big business'. So, leadership at middle levels is crucial. Academic leadership should come from active academics developing new ideas and approaches, which move up the hierarchy for perhaps wider adoption. Visibility allows access to top management, and accountability. 'Town meetings' are fine for the formal rendering of an account, but visibility should also be seen at events with 'ordinary citizens' that are part of community life and promote cohesion. Celebration of staff/citizens' achievements should be part of that, and build 'trust capital'. Bureaucracy grows with poor leadership and opting out by staff into 'academic absenteeism' as they pursue their interests disengaged from the organization.

Leaders need a group of critical friends who will tell truth to power, not 'selected sycophants'. They need to be seen as 'one of us' with loyalty to the university they lead, not a central political power.

Those lessons apply in most times and places. They are essential to positive leadership of university development in troubled and turbulent times.

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THE FINANCIAL AUTONOMY OF UNIVERSITIES AND THE NATIONAL INNOVATION PERFORMANCE IN EUROPE: POSSIBLE LINKAGES IN FINLAND AND OTHER EUROPEAN COUNTRIES

In Europe the usefulness of science to society and competitiveness through innovation are very topical higher education policies. From this viewpoint, financial autonomy is seen as a powerful lever to promote competitiveness. However, we do not know much about the financial autonomy of universities or about its linkages to innovation economy. In Finland, the new frames for the financial autonomy of universities were introduced five years ago using extensive national university reform. This paper considers the levels of different dimensions of financial autonomy of universities and national input innovation performance in Finland and other European countries. In addition, this paper investigated linkages between input and output innovation performance. This trial suggests that the average level of financial autonomy yielded statistical differences between countries' input innovation performance. However, these differences existed only related to the type of public funding and the establishment of degree programmes. Moreover, two European countries – having low financial autonomy in these elements – are successful in their input innovation performance. The latest trends to act independent legal and financial entities seemed not to generate innovation success. Several countries that have high financial autonomy in some other dimensions, ranked weaker in their input innovation performance. Innovation input and output performance are strongly interrelated in Europe. However, it is research and development and linkages between innovation actors rather than higher education students or graduates that were important to countries' success in their innovation output performance.

Keywords: financial autonomy, universities, innovation performance.

Introduction. «Universities need more autonomy to better respond to their external environment» is a topical policy slogan found on governmental agendas in Finland and in most of the other European countries. This usually means emphasizing efficient performance and universities' social and economic benefits (European Commission, 2007, 2010, 2011 and 2012; OECD, 2009). Aghion et al. (2009) found that university autonomy and competition are positively correlated with university output in European countries and among public US universities. Positive linkages between autonomy and performance were also found in a few other studies (Jongbloed, 2010; Jongbloed et al., 2010; Hoareau et al., 2012). Overall, evidence of causality between university autonomy and university performance is slight thus far (Enders et al., 2013; Volkwein and Malik, 1997; Author, 2012).

In Finland, the new financial autonomy of universities was introduced using extensive national university reform. The reform in Finland changed the financial-administrative and legal operating frameworks of universities: the legal status of Finn-

ish universities, the internal institutional level governance, the appointment of the rector and the employment status of university staff. Universities became financially and legally independent and responsible actors. This is to say that, as individual legal and financial entities, universities have full capabilities and financial powers to act in an organization's own name.

A pervasive goal of the Finnish university autonomy reform is to increase the competitiveness of Finnish universities (Ministry of Education, 2007; Kotiranta et al., 2009). Competitiveness is increasingly driven through the ideas of the innovation system both in Finland and elsewhere (Ministry of Employment and the Economy, 2009; Ministry of Education and Culture, 2011; European Commission, 2005; Lavoie, 2009; Luoma et al., 2011). Universities as creators and disseminators of new knowledge and producers of human capital are expected to enhance social and economic development through education and research (Lavoie, 2009; van Vught, 2009).

In Europe, the usefulness of science to society and competitiveness through innovation are very topical higher education