

7 New Public Management in Higher Education

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7.1 Abstract

New Public Management (NPM) is based on new management methods that have been used decades ago in business and industry. At the end of the 20th century, these methods were also introduced in the public administration to modernize public administration.

NPM uses management by objectives (guidance through goal agreement), by decision rules (delegation of), by exception (simple decisions), by delegation (inclusion of many employees), by systems (decisions by the system) and by results (results-oriented). This led to more project management, flat hierarchies, stronger customer focus, target agreements, greater depoliticization of the administration, lean management, total quality management, benchmarking and outsourcing of various activities.

With the changes in the university system that began in recent decades, NPM also moved into higher education. Privatization, liberalization, state-owned and private universities made monitoring facilities with an accreditation system and quality control necessary. A free market economy has been created by law in the tertiary sector of education. In reality the areas have different standards. State universities are 'autonomous', but they have academic agreements with their ministries. Universities are more and more commercialized and like companies. The rector or president is the general manager and he is the only decision maker. He has a management responsibility for academic and economic issues. Governments call this decentralization and independency. With the help of the Governance Equalizer, studies have been carried out in various countries to highlight the advantages and disadvantages of the NPM system for universities.

7.2 New Public Management

New public management was only introduced in the public administration sector towards the end of the 20th century. It was previously developed in the industry and private sector. It went hand in hand with a reform of the public authorities. The administration has been modernized. Public administrations suddenly used techniques and tools from the private sector.

These tools and techniques influence the management style in several directions:

- Management by Objectives (guidance through goal agreement)
- Management by Decision Rules (delegation of decisions)
- Management by Exception (simple decisions = employee)
- Management by Delegation (Inclusion of many employees)
- Management by Systems (decisions by the system)
- Management by Results (results-oriented)

Management reached a new dimension.

7.3 Contents NPM - Efficiency Criteria

These are the contents and efficiency criteria of NPM:

- **Project Management:**
Project management is based on teamwork with the aim of achieving a common goal. Within this there is included the whole process of undertaking the work: initiating, planning, executing, controlling and finalizing. The object is, to produce a complete project.
- **Flat Hierarchies:**
A boss was responsible as an executive for only a few people. With the new management tools, the responsibility has expanded to a much larger number. This was only possible by more delegated decision authority.
- **Customer Focus:**
In public administration, the citizen was considered as a customer. Not as a supplicant. At the university, students were seen as part of the organization.
- **Target Agreements:**
Following the delegation of power, goals had to be defined. With every employee the goals to be achieved were defined in an agreement on objectives.
- **Conversion of official Status:**
The status of each employee changed. Each individual acts like the owner of his own „One Man Company“.
- **Depoliticization of the Administration:**
Decisions are made objectively and less politically.
- **Lean Management:**
Delivering more value with less waste in a project context. Especially in the public administration there was too much self-government, which is switched off and reduced with lean management.
- **Total Quality Management:**
Makes a permanent climate where employees continuously improve their ability to provide on demand products and services.
- **Benchmarking:**
Dimensions like quality, time and cost are measured regularly.
- **Contracting Out:**
Also called „Outsourcing“. Jobs they can be done better by external experts are transferred to external companies.

The core elements of NPM are a stronger market orientation, interruption of administrative units (enabling authority, agencyfication), reorganization of the company organization, modernization of accounting and introduction of controlling concepts to control results. A stronger customer orientation brings both sides of an agreement closer together. The customer becomes a partner. Due to the new management style, a new type of skilled people is needed. This leads to a stronger performance orientation in personnel policy. In general economization forces the staff to choose scarce resources to competing ends, and economize (seeking the greatest welfare while avoiding the wasting of scarce resources). Public administration got higher effectiveness and efficiency in the provision of state services.

7.4 Neo-Weberian State

A Neo-Weberian State proclaims that members of the same social class share the same life chances. Internet helps, that all citizen have the same rights. This has been the success of NPM in the 21st century. A good example for this is China and in universities it changed the relationship between university and students.

7.4.1 New Weberian: China

The Chinese government evaluate people by good conduct. It is a project, which will be in full operation in 2020. It started in 2017 as a pilot project in cities. In this project individuals,

companies and authorities will be evaluated as will universities. The evaluation is based on a rating like it is used in rating agencies with AAA (= excellent) to D (= dishonest).

Examples for offenses:

- Driving the car through red traffic lights.
- Debts not paid.
- Specifications against
 - environmental regulations or
 - trademark rights not respected
- Negative mark at exams.

The sanctions are like:

- No ticket for high speed train or flight
- No subsidies
- From public tenders excluded
- End of studies

The basis to do so is IT and the internet which in China is very well developed. The company Foxconn produces 0.5 million iPhones daily in Zhengzhou. In Beijing 2,2 million bikes can be rented via an App. Beijing has 6,5 million cars and with actions like renting bikes, the government wants to reduce car driving. The central communication App is WeChat, which is the Chinese version of WhatsApp. It is used by 2/3 of the Chinese population. WeChat is used for shopping, paying, taxi, news, money transfers, loan etc. The input is given by voice (spoken) or by typing (keyboard). Online payments are highly developed and it has 11 times the volume like USA. The volume of online business is two times bigger than in USA.



Figure 1: City of Shanghai, China

7.5 NPM in Higher Education

NMP entered to higher education with the political decision of "Autonomization". Universities got the right to make decision by themselves (without government). Management and budgetary responsibilities were decentralized to the universities. With global budgets university management has strict profit responsibility. This made new organizations. Universities are more and more commercialized and act like companies. The rector or president is the general manager with responsibility for academic and economical issues. He is the only decision maker, but he has a management with distributed responsibility. Governments call this decentralisation and independency.

The risk of this system is, that small units and small scientific subjects get lost. Management concentrates on main business fields. Institutes with many students and low production costs creates better results. One teacher for several thousand students brings more profitability than a small group of students with expensive laboratories. Owner of a university sets targets to the management and the university as a company is controlled via a board. The board sets targets

and controls. In state owned universities the government acts with a representative board as owner. Often board-members are politically positioned. Under these rules the quality very often is put under pressure. Quantity and profitability has for hand. Quality assurance departments inside the university can monitor the standards. The government control the quality via quality assurance agencies.

Under Neo Weberian influence the relation between students and teachers has changed. It changed from a hierarchial and customer oriented relation to partnership:

- Hierarchy Orientation
The system is input oriented. The professors know everything. Students have to follow them and their instructions.
- Customer Orientation
After the student demonstrations in the 60s of 20th century the status of students changed to a relation like "customer". They became customers of universities and were handled like this.
- Partnership Orientation
In the 21st century students became partners and members of the university. This lead to a cooperation between teachers and students, which is called NEO WEBERIANIAN RELATION.

The partnership relation shows a clear impact on the drop out rate of universities. Untill the 21st century everybody was allowed to enter a university. There was no selection process for the entering to higher education. The drop out rate was very high. This changed at beginning of 21st century with more entrance or placement tests. The volume of students is limited and the entrance test is the instrument to fulfill this. BUT: teachers take the responsibility to bring the students to a successful end. A low drop out rate is a major factor. If it is high, it is negative for the university. The relation between students and professors is evaluated regularly.

With decentralization of decisions and partnership several new tools came into operation:

- charging of tuition fees
- entrance examinations
- professors hold just four-year contracts
- evaluation of lecturers by students

The evaluation of teachers by students have impact on salaries and career.

7.6 Networks

Democratic systems have changed. People are no longer members of societies, they are members of networks. The same change is within universities. A university can not be anymore a standalone organisation. It can not be isolated and work just with own staff. Like in industry, a university must be member of a network. Inside these networks, they exchange results and experiences, which makes it possible to reach targets faster.

7.7 Governance Equalizer

Each component of governance equalizer gives an in-depth analysis of higher education. The five dimensions of GE in higher education are:

- State Regulation
 - traditional top-down authority
 - regulation by directives
- Academic Self Governance
 - role of professional communities in university system
- Stakeholder Guidance
 - direct goal setting and advice

- Managerial Self-Governance
 - hierarchies within universities as organizations
- Competition
 - for scarce resources (money, personnel, and prestige)
 - between universities not on “real” markets but on “quasimarkets”

Governance Equalizer (GE) shows the ideal situation, the current status and a tendency. GE is most developed in Anglo-American universities. They have a long tradition and experiences. The result of GE can show

- a decreasing situation like in Kazakhstan or India
- an improving system like in Ukraine
- a high-level market, but heavy regulated like in Switzerland
- partly liberalized markets like in Austria
- no New Public Management - everything is regulated like in higher education instituts for military subjects.

New public management has changed the area of higher education and the governance equalizer is an instrument for evaluation.

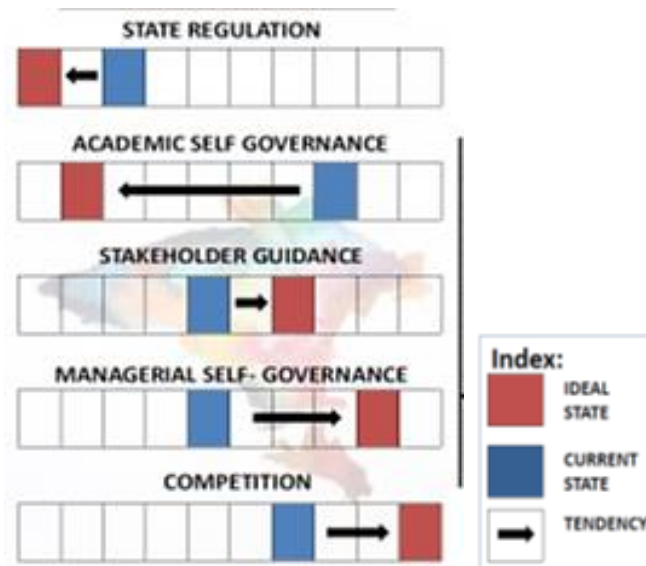


Figure 2: Sample of governance equalizer.

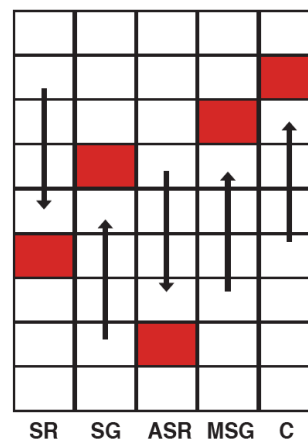
Higher Education in Switzerland



Relevant Milestones

- 1995:** Establishment of universties of applied sciences
- 1999:** Switzerland signed the Bologna-Declaration
- 1999:** The University funding Act ist passed. More binded cooperation between the confederation and the cantons. Transferring authority over the issuing of university education directives to the university conference (for preparing Bologna-process)
- 2004:** Switzerland becomes an associate member of the European Union's Research and Innovation Framework Programmes (FPs)
- 2006:** A new constitutional article on education is passed:
 - An explicit obligation to coordinate and cooperate in the field of education;
 - Shared responsibility between the Confederation and the cantons for coordinating and ensuring quality assurance in higher education;
 - Uniform regulations that harmonised study levels and transfer requirements, academic continuing education, the recognition of institutions and funding principles for universities.
- 2011:** The Higher Education Act (HEdA) is passed: FCA-CHE clarifies the joint bodies' responsibilities and defines coordination principles for tertiary education in Switzerland. It further defines the Confederation's constitutional obligation to financially support the cantonal universities and universities of applied sciences. The HEdA came into force in 2015, replacing the University Funding Act and the Universities of Applied Sciences Act.
- 2013:** The State Secretariat for Education, Research and Innovation (SERI) is founded. With this change, education, research and innovation were now under one federal roof for the first time. The gouvernance of the HE-System on a macro level ist assured.

Tendencies



The current governance equalizer		Future prospects in HE	
State Regulation (SR)	<ul style="list-style-type: none"> A centralized gouvernance of the HE-System on a macro level ist assured. Harmonised financial funding system for the members of each type of HE-Institution By building this framework by the state, the direct regulation policies of HE institutions has decreased (coordinating role of the state) 	State Regulation	<ul style="list-style-type: none"> The state regulation will be limited to strategic alignements for the HE-System in CH Policies for partnerships with the private sector are going to be promoted Due to the accepted mass immigration initiative in 2014 the strategy 2017-2020 focuses on promoting young talents in research and innovation.
Stakeholder Guidance (SG)	<ul style="list-style-type: none"> The influence of several different joint bodies increases The university council authorises various committees from the private economic sector depending on different topics. 	Stakeholder Guidance	<ul style="list-style-type: none"> The influence of joint bodies from the private economic and industrial sector increases
Academic Self-Regulation (ASR)	<ul style="list-style-type: none"> The implementation of NPM-approach trough state regulation policies and stakeholder guidance has reached the inner-organisational structures. The academic self-regulation has decreased (f.e. external quality and output evaluations, objective agreements etc.), but there are still elements of academic self-regulation, especially in a informal way. 	Academic Self-Regulation	<ul style="list-style-type: none"> Neoliberalism objectives can not become more important than academic objectives. Higher involvement of the academic personal in the management is needed
Managerial Self-Governance (MSG)	<ul style="list-style-type: none"> The managerial self-governance has increased. Several new positions within the „third space“. The managerial self-governance ist not yet professionalized. 	Managerial Self-Governance	<ul style="list-style-type: none"> The managerial self-governance will increase and become more professionalized
Competition (C)	<ul style="list-style-type: none"> High competition between the HE-Institutions: performance related financing system and increasing number of HE institutions (implementation of university of applied sciences as „equal valued but different“) High international and global competition in research and in between HE-Organisations 	Competition	<ul style="list-style-type: none"> High competition between the HE-Institutions: performance related financing system and increasing number of HE institutions (implementation of university of applied sciences as „equal valued but different“) High international and global competition in research and in between HE-Organisations

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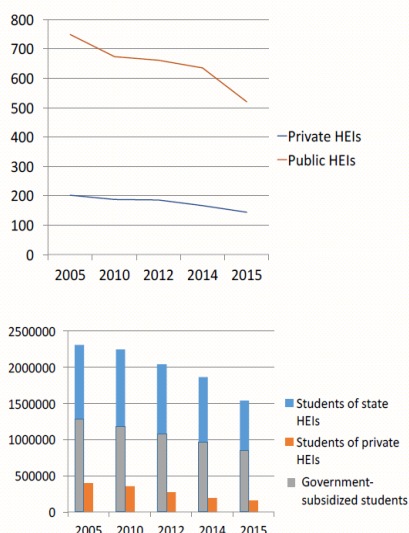
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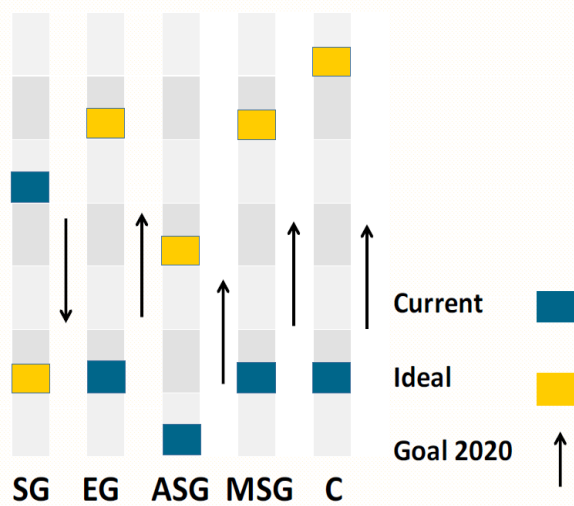
Figure 3: Balance Score Card in Higher Education in Switzerland, Sara BACHMANN, Danube University Krems 2016



Population: **45,49 million**
GDP (2016): **\$90.62 billion**
Expenditure on HE & Research (2016): **5,2%**



Governance Equalizer (2005-2020)



2005-2013

SG – Top-down excessive steering regulation of Ministry of Education as a supreme higher education actor.

EG – Limited participation of external stakeholders - Department of Labour, Ukrainian Association of Student Self-Governance (UASS), e.g. student bodies merely have right to exert influence on educational policies.

ASG – Academic Unions (Boards of Academics, Academy of Pedagogical Sciences) define and regulate 30-35% of their workload.

MSG – Education authorities are appointed from among academics lacking knowledge, skills and competences of NPM. Absence of understanding and unwillingness to implement changes in accordance with the Bologna Process.

C – Sporadic development of the best practices and overall lagging behind results in generally low competitiveness on both the national and international arenas, and hinders integration processes.

Current trends

- ✓ inconsistency of policy making due to vague definition of learning outcomes and benchmarks
- ✓ absence of competent personnel in higher education
- ✓ corruption and subsequent inequality in access to higher education
- ✓ political instability, bureaucracy in governing structures and weak civic society
- ✓ massification of higher education
- ✓ progressive and up-to-date claims do not work
- ✓ discrepancies de jure - de facto in terms of law implementation

2014-2020

SG – Decreasing state steering powers and promoting deregulation by the Law on HE 2014.

EG – Devolving powers of licensing and accreditation of HEIs from Ministry to National Agency for HE QA. Strengthening of academic integrity by means of anti-plagiarism campaign (SAIUP, national repository). Promoting students' QA involvement.

ASG – Attempt to establish strong academic tradition with considerate decision-making power.

MSG – Increased academic and financial autonomy accompanied by disposing of paternalistic management style.

C – Promoting HE-business-R&D cooperation, focusing on human capital and knowledge-based economy. Transition from centralized state funding with predesignated resources allocation to automatic voucher order ('money follows students'). Fostered engagement in EHEA and ERA.

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Picture source: Flag of Ukraine. Retrieved from https://commons.wikimedia.org/wiki/File:Flag_of_Ukraine_corrected.png.

September, 2016

Figure 4: Balance Score Card in Higher Education in Ukraine, Kateryna SUPRUN; Uliana FURIY, Danube University Krems 2016

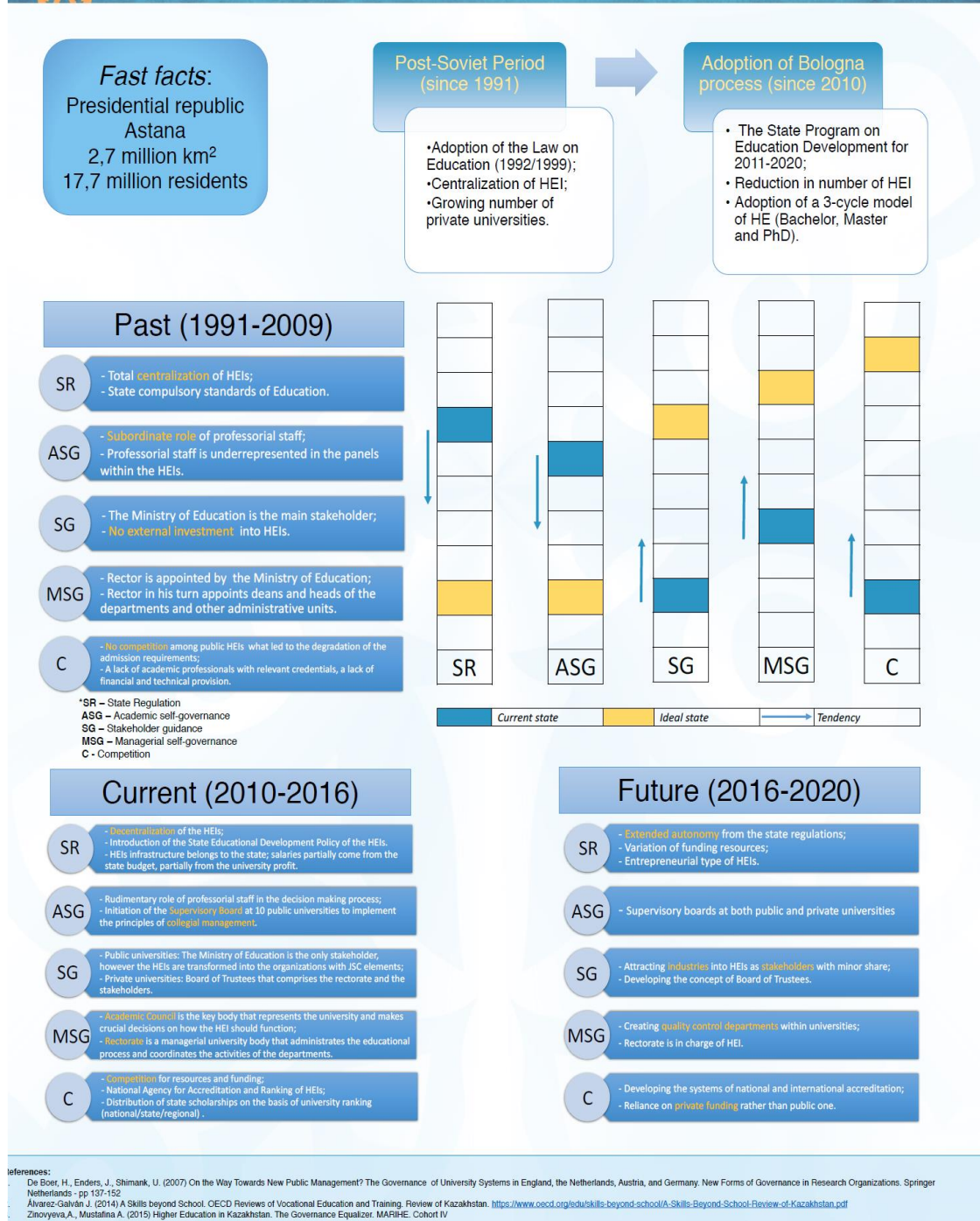


Figure 5: Balance Score Card in Higher Education in Kazakhstan, Ali na MELOYAN, Danube University Krems 2016

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