THAILAND-EUROPEAN UNION
Policy Dialogues Support Facility

'Good governance, management and institutional effectiveness in a diverse higher education sector' - an EU perspective

Topic paper 1

Introduction

Governance according to the Leadership Foundation[1] is defined as the constitutional forms and processes through which universities govern their offices. Irrespective of constitutional form, governance covers:

- Ensuring accountability, control and scrutiny
- Approving future direction, institutional strategy and mission
- Measuring and monitoring institutional performance
- Appointing and ensuring the effectiveness of the head of the institution and senior team

Institutions of higher education, both in S.E Asia and Europe, are under enormous pressure to change and respond to new market conditions. In this paper, some of the global pressures on governance are assessed and evaluated in the context of higher education reform and moving toward best practice. In both continents, it is clear that higher education is being developed as a strategic lever to foster long-term economic development and social cohesion.

The UK Context

The higher education/university sector in the UK, as is the position in Thailand, consists of a range of institutions. In broad terms, this includes:

- Oxford and Cambridge (research universities)
- Large civic universities e.g. Manchester, Birmingham, Cardiff who also undertake research
- Post-1992 universities, formerly polytechnics, now universities e.g.e.g. Sheffield Hallam University, Coventry University
- Specialist institutions
- FE Colleges, primarily teaching vocational HE

There are 162 institutions with a designated university status and a large number of colleges, in addition to this figure, offering vocational HE opportunities.

Each institution operates to its own distinctive mission as an independent corporation and come under the remit of the National Funding Councils. Within each of the four home countries (England, Wales, Scotland and Northern Ireland) Funding Councils convey

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[1]Leadership Foundation for Higher Education: Governance Briefing Notes (2014)

government priorities and steer funding to achieve national objectives and establish the regulatory framework within which universities and colleges operate.

To ensure consistency and to maintain standards, the Quality Assurance Agency for Higher Education (QAA) is entrusted with ensuring the three million students working towards a UK qualification receive the experience they should expect.

It is this interface between the national bodies and the largely autonomous institutions, which provide the dynamics for modern governance in the UK. A governance system which was perceived to be two dimensional; the older more established universities (pre-1992) following a more participative collegiate approach and the newer universities adopting a far more corporate approach in response to legislation.

This divide has largely disappeared according to Shattock[2] with all universities in the UK, to a lesser or greater extent, following the 'corporate' business model, as is the case in most European countries.Shattock[3] however, is also of the view that institutions work best when governance is seen as a partnershipbetween the corporate and the collegial approaches, and where a sense of common purpose informs the balance of the relationship.

Changing parameters

Across the world, higher education is under pressure to change. All institutions are expected to innovate and face the new challenges, expected to operate more efficiently in market conditions, support government/economic agendas and respond to changing student needs and changing methods of learning driven by technological advances.

Most notably in Europe, the challenges focus on the following pressures and the capability of the university sector to respond:

- **The public – private balance** – there are an increasing number of private providers and there are pressures on institutions to diversify income streams through commercialisation
- **Mass participation** – this leads to greater institutional diversification allied to changing delivery structures and capacity issues including new networks and consortia
- **Market pressures** – this results in more specialisation, a premium return for high quality providers and institutional reconfiguration which may lead to merger as a consequence of growing financial pressures

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[2]Shattock M.L: University governance, leadership and management in a decade of diversification and uncertainty: Higher Education Quarterly (July 2013)
[3]Shattock M.L: Re-Balancing Modern Concepts of University Governance (2002)

- **Modernisation of governance** – this is a response to institutional diversification and the need for greater accountability which impacts on patterns of behaviour and relationships
- **Internal institutional conflict** – a consequence of the changing balance between 'academic' and the new 'economic dimensions' of university work demanding changing leadership skills and a revised accountability framework

These challenges, more recently compounded by growing austerity measures, are changing the funding models, placing greater emphasis on student fees and the market model.

In 2003, student numbers entering UK higher education were tightly controlled by the Funding Councils. By 2011/12, there had been a move to a largely un-capped market with greater levels of competition. The withdrawal of state funding support, except for some priority areas in England and the introduction of variable fees up to £9,000 per annum, administered by a student loan system, has introduced a period of great uncertainty and placed enormous pressures on institutions to make the right financial decisions.

When this is coupled with deregulation of number controls for students above an attainment threshold of AAB (A Level grades), this adds to the complexity of forward planning, placing even greater pressures on effective governance, leadership and management.

The most recent period, has led to a situation where universities are becoming far more independent of their funding masters and consequently more autonomous in their operations. This has clear reverberations for the governance of institutions and the changing roles of governance as they move into the 21st century with far more emphasis on public accountability.

These pressures on the system are set to increase as student demand continues on a steadily upward curve: in the UK, total numbers have increased by 28% between 2001/2010. The total income for the institutions is 60% higher than in 2000/01. As the government in the UK seeks to shape and modify the funding regime and place greater emphasis on the individual and the employer, this will ultimately have far reaching consequences, according to Universities UK[4], on the shape and structure of the UK higher education system.

In this changing and volatile world the OECD[5] in their recent report on governance asked five pertinent questions:

1. How much freedom institutions have to run their own affairs?
2. The extent they rely on government funding or can draw on other resources?
3. The changing way the higher education system is subject to quality assurance and control?
4. The strengthening of institutional governance?

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[4] Universities UK: Future of Higher Education, analysing trends (2011)
[5] OECD: changing patterns of governance in HE, Education Policy analysis (2013)

5. New roles for their leaders?

In most OECD countries, the trend is for far less state control which also appears to be the case in many countries in S.E Asia, including Thailand. In this paper, the focus will be on how these strategic drivers will impact on governance structures, the development of new accountability structures and the growing use of incentives to shape particular outcomes as governments generally withdraw from direct management.

As was stated in the Nolan report on standards in public life [6]:

'The exact counter-balance to autonomy is accountability'

Institutional challenges in Thailand

The higher education reform programme in Thailand has made some impressive steps in the right direction over the last decade, which was clearly recognised by the Asian Development Bank Report on Higher Education[7]. In particular, access to higher education has improved dramatically with a resultant rapid growth in student numbers. University scope and coverage has increased, resulting in improved accessibility. Important steps have been taken with quality assurance. There have been some important governance developments resulting in more local control/ institutional control over Finance/Personnel and Academic Management. As in many countries there remains a need for improved articulation between the increasingly autonomous institutions and the government bodies who are charged with maintaining the pace and direction of HE development. There is also a need for a continuing focus on the following aspects of institutional activity to develop capability and effective governance:

- The need for greater efficiency and responsiveness
- The value placed on institutional autonomy
- The long term funding implications of student expansion
- The significance of market regulation
- Shifting the academic focus – professionalism/ vocationalism
- Industrial links

The centrality of governance

In the more demanding period we are entering, internal governance is being reassessed in the context of:

- Greater institutional autonomy
- New regulatory requirements
- New market conditions

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[6] Nolan report: The Report of the Committee on standards in public life (May 1996)
[7] Asian Development Bank: Administration and Governance of Higher Education in Asia, patterns and Implications (May 2012)

- Greater transparency of operations

There is a need for every institution to be headed by an effective Governing Body which has the knowledge and expertise to hold the executive to account and have an oversight of systems and procedures, whilst setting the overall strategy and direction of the university.

The Scottish code of conduct[8] for good governance identifies the following core responsibilities for an effective Board:

- Ensuring the institutions long term sustainability
- Conducts its affairs to ethical standards
- Has due regard for the interests of its stakeholders
- Determines the institutions future direction
- Sets the institutional values of staff in compliance with legislation
- Ensures the 'academic freedom' in regard to equality and diversity
- Fosters and environment which fosters individual potential
- Taking all final decisions on matters of fundamental concerns

The above, represents a high level set of values and responsibilities which involve establishing a considered balance between the roles of Vice Chancellor/Principal, Chair of the Board and the Secretary/Registrar. These titles vary both within and between countries but always represent the core dynamic of effective governance and management.

The high level responsibilities of the Board and more specific duties include:

- Approving the mission and strategy, business plans, key performance indicators and annual budgets
- Appointing the Head of the institution, agreeing appropriate monitoring procedures
- Ensuring the quality of educational provision
- Ensuring adherence to funding requirements
- Ensuring compliance to an accountability framework including assessment of risk
- Monitoring institutional performance against plans

Meredith Edwards[9] in analysing the role of Boards states:

'Explained simply, governance today means not so much what organisations do but how they do it'

In this context, the importance of visibility and transparency of operation are of paramount importance. Board members, and in particular the Chair, need to be known to the University community. The Vice Chancellor needs to be seen working alongside the Chair of the Board.

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[8] The Scottish Code for Good Governance, Committee of Chairs of Scottish Higher Education Institutions (July 2013)

[9] Meredith Edwards: University Governance: A mapping and some issue, Dept. VC, Director National Institute for Governance, University of Canberra

In an era of greater autonomy and accountability it is essential that staff, students and stakeholders perceive the decision making process to include a diverse and potentially representative group of individuals beyond the expertise of the Vice Chancellor and senior team. It it is for these reasons that the publication of an Annual Report allied to an Annual General meeting is such an important part of effective governance, allowing for transparency and opening up the accountability process to the stakeholder community.

In the global trend identified, to a more corporate governance model, an apparent divide has opened up between the governing body and the executive and the academic community. As Shattock[10] identified, where significant failings have incurred in the UK university governance, they have rarely involved the academic community and more often than not relate to issues of governance or the relationship of the Governing body to the Vice Chancellor. To counter this drift, maintaining and strengthening the integrity of the Academic Board as an important decision making body is seen as an essential component of good governance. The view was reinforced in Wales in the report, Achievement and Accountability: Report of the Independent Review of Higher Education Governance in Wales[11]

'A strong Academic Board working jointly with the Governing Authority in areas such as strategy and resource allocation brings together the vital constituents of good governance in a university context'.

As part of any reform agenda establishing cohesion and preventing unintentional divides must be an important objective. Ensuring the inclusion of academic staff in addition to external stakeholders within the framework of governance must be seen as an essential ingredient of effective governance and management. Likewise recognising the important role of governing bodies in exercising oversight over academic performance is seen as an important development within the recently revised Higher Education Code of Governance[12] in England.

Establishing governance guidelines

In establishing stronger more strategic and accountable governing bodies, the following objectives as presented in a Review of FE Governance and Strategic Leadership[13] can be regarded as important goals in creating the dynamic required. What is important is their complementarity and their contribution to the whole framework of governance for an institution.

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[10] Michael Shattock: Rebalancing modern concepts of University Governance: Higher Education Quarterly 0951-5221, Volume 56, No.3, pages 235-244 (July 2002)

[11] Achievement and Accountability: Report of the Independent Review of Higher Education Governance in Wales (March 2011)

[12] Committee of University Chairs: Higher Education Code of Governance (2014)

[13] A. Schofield (ed) J.Mathews and S.Shaw: A review of Governance and Strategic Leadership in English Further Education LSIS/AoC (2009)

- Governance for accountability and compliance
- Governance for maximising institutional performance and success
- Governance for representation and democracy

These common purposes are most effectively represented in the most recent code of conduct for HE governance, released in the UK. The code identifies core principles which build on the Nolan principles of public life and are considered as good practice guidelines for all institutions in the UK. These include Oxford and Cambridge, those operating to the Civic university model (the institutions also known as pre-1992 institutions, the post-1992 institutions,and a range of specialist institutions and FE colleges delivering higher education.

The Code seeks to overcome some of the 'trust' issues inherent in the system by applying a standardised set of expectations and standards on all institutions regardless of history and standing.The following elements of governance in the table on page 7 are clearly identified as being relevant to all institutions:

The Governing Body is	The Board needs to establish an effective scheme of delegation, which

unambiguously and collectively accountable for the institutional activities	clearly identifies the responsibilities of the Executive and the Vice Chancellor. This includes the adoption of relevant policies and practices which provide assurance and ensure the smooth running of the institution. The Code focuses on the importance of transparency and openness including the publication of annual reports and publication of relevant minutes.
The Governing Body protects institutional reputation	This is achieved by being assured that clear regulations, policies and procedures are established which adhere to legislation. These would include a policy on ethics, whistleblowing and benchmarking institutional policies against sector best practice. The Code also refers to the need for Board members not only to act impartially but being seen to act impartially.
The Governing Body ensures institutional sustainability	This would include working with the Executive to set mission and strategy and approving the Strategic Plan and allied financial strategy. It would also include rigorously assessing all aspects of institutional sustainability and related control system including the quality assurance of data via a rigorous approach to audit and the work of the Audit Committee. The Code is also very specific relating to the role of the Remuneration Committee in setting pay and conditions of the Vice Chancellor and senior staff and most importantly monitoring their performance.
The Governing Body receives assurance that academic governance is effective	This is achieved by working closely with the Senate or Academic Board regularly reviewing effectiveness and the management of academic risk, including partnerships with other organisations, recruitment and retention, quality assurance procedures and research integrity. Interestingly the Code is specific relating to academic freedom and the engagement of students in the academic process.
The Governing Body alongside the Executive needs to be assured that there is effective control of external activities	This would include systems and procedures to avoid reputational or financial damage.
The Governing Body must promote equity and diversity	This includes demonstrating through its own actions a commitment to equality and diversity including the preparation of an annual monitoring report. This extends to its own recruitment policy for new members being undertaken in an open and transparent way (external advertising of vacancies).
The Governing Body must ensure that governance structure and procedures are fit for purpose	This includes the size and composition of the Board (12-24) and the role of secretary/clerk. A process via a Nominations Committee of appointing external and independent members to the Board. Consideration is also given to a Code of Conduct for Board members, allied to procedures for removal of Board member. This also includes the expectation that a Board member is properly inducted and the effectiveness of the Board and individual members are systematically reviewed and evaluated.

Committee Structures

The above represents a comprehensive and up to date set of guidelines for effective governance which could have application worldwide. When this is applied to the Committee structure of an organisation, the following Committee functions are identified. These form part of the overall governance framework of an institution and all report to the Board as statutory sub-committees.

Audit Committee

- Plays a key role in offering assurance to the Governing body as to the operation and effectiveness of systems of control and management of risk
- Undertakes the detailed scrutiny of financial plans and budgets
- Composed of relevant Financial/Executive personnel, representative of the Boardw with financial expertise
- Eternal/ independent member

Nominations Committee

- Identifies and recruits new Board members
- Review the appointment of Board members with designated rems of office

Remuneration Committee

- Sets the pay and reviews performance of the VC/Principal and designated senior staff

Employment Committee

- Universities/HEIs are separate legal institutions and is the employing body. Charged with setting terms and conditions, structure consideration and employment related policies. Handles grievance and disputes

Finance Committee

- Approval of the budget
- Financial forecasts
- Overseeing income and expenditure

Estates Committee

- Overseas physical infrastructure developments
- Ongoing maintenance
- Procurement programme

Each Committee operates to an agreed Terms of Reference and can have approved delegated guidelines agreed by the Board. No sub-committee has the power to work beyond delegated limits and if seen to be doing so would be seen as a serious breach of conduct.

Trends in governance

In the OECD review of governance in HE, Hennard[14] states that:

'*Governance arrangements and quality guidelines are two key ways to solve the tension between state regulation and institutional autonomy*'

This is clearly necessitated by the growing vulnerability of institutions, as more and more responsibility is transferred to institutions to work in increasingly autonomous ways. This movement has been evident across the world for the last twenty five years as universities become less the domain of the elite and more open and diverse in their student intake.

Growing enrolments, allied to budget restrictions, and the introduction of new approaches to regulation is encouraging institutions to look again at the robustness of their governance arrangements. Universities operate in a competitive market driven environment which for a small elite group of institutions represents competition on a global scale for others intense competition within national boundaries.

In the UK, the move towards a greater transparency of outcomes has been accompanied by a range of league table configurations which also has a significant impact on market demand inevitably resulting in winners and losers. The deregulation of student number controls for the highest achievers in the UK adds furtherto the uncertainty and difficulties related to forward planning.

Governments worldwide are shifting the burden of funding from the state to the individual and in some instances the employers, this inevitably leads to the creation of a far more competitive, demand led system with a premium return for quality providers of university education. The impact on governance has been significant resulting above all else in far more autonomous institutions which have also encouraged the development of new forms of regulatory control principally based on quality and financial management.

The conclusion of the OED report on governance in Higher Education[15] suggests that government is directly withdrawing from the direct management of institutions whilst at the same time, introducing a new focus of control via national quality agencies and funding bodies.During this transitionary phase, the priority more than ever is on the governance of institutions with a focus on:

- Size and composition of governing bodies (including Performance management)
- Greater accountability for funding
- Transparency of operations and information
- Protecting the learner interest
- Commitment to academic freedom and high quality teaching
- Commitment to access and equality of opportunity

[14]OECD: Governance & Quality guidelines in Higher Education: FabriceHenard, Alexander Mittake (2009)
[15] OECD: Changing Patterns of Governance in Higher Education, Education Policy Analysis (2013)

- Developing accountable structures that support autonomy
- A new awareness of responsibilities to multiple stakeholders
- Setting the strategic direction

These trends will place enormous pressures on the development of highly effective executive and leadership teams that can develop the right balance of responsibility between the Executive and the Governing Body. In the UK, many of the changes to governance have been driven by high profile institutional breakdowns and demonstrated by one of the most recent in the UK, Plymouth University[16], it is essential not to neglect the importance of the 'golden triangle' of Chairman, Vice Chancellor and University Clerk/Secretary who sit at the heart of effective institutional governance.

Concluding remarks

In Thailand, university structures are also impacted on by changing market conditions and expectations driven by national priorities. The pressures introduced by change, the requirements for new skill sets, newly emerging vocational requirements and the pressures imposed by new technological advancements will have a profound effect on the scope and structure of the university environment in the future.

A reform programme, which is already underway, must continue the debate on the development of cohesive national structures and the interface with the diverse institutions which make up the sector.

Strengthening institutional governance arrangements will be an inevitable consequence of these reforms, hopefully drawing on best practice form the rest of the world. This needs to be accompanied by a shift in academic focus to where demand is greatest, recognising the economic drivers of the country. This needs to be achieved whilst recognising the important role employers can undertake, in partnership with the academic community, in establishing the highest possible global standards

Above all, there needs to be an acceptance that with greater autonomy comes changing levels of accountability which will demand new leadership skills and revised governance structures, drawing on best practice, worldwide.

Huw Evans OBE
September 2015

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[16] Review of Governance for Plymouth University, Final report to Board of Governors (March 2015)