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# Finnish HE reform 2010: Resource Dependence Theory Perspective

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## Orientation

- All Finnish universities are public, have the same public mission, and follow the Humboldt's ideal of linkages between research and teaching
  - No private HEIs
- Finnish university sector: 14 institutions
  - University Helsinki 35,000 students, the oldest and biggest
  - University of Art 2,000 students
  - Several regional universities in which 10-15,000 students
- New Universities Act 2010



## Finnish university reform: what is it about?

<b>A main reform policy mechanism</b>	New Universities Act 2010
<b>Legal and financial independence</b>	Universities became independent legal and financial entities
<b>Internal organisation of university</b>	Two-tier governance structure possible
<b>Composition of governing board</b>	40% external members
<b>Rector</b>	CEO type status, selected by university board
<b>Staffing policy</b>	Independent employer status
<b>Funding model</b>	Updated performance-based funding model



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- Financial autonomy of universities? What was reformed and why?



## **Policy input: Financial autonomy policy/ies in Europe**

- A movement towards greater autonomy a dominant policy trend in countries where universities governance is previously reformed
- EU (European Union) Commission has been very influential in European development
  - Serving the progress of knowledge and innovation economy
- New Public Management, NPM 'effect'
- International league tables 'effect' (e.g. Autonomy Scores, European University Association 2009 and 2012)
- Competition for reputation and prestige between universities
- Responsiveness to various socio-economic needs



# Financial autonomy policy in Finland: towards independent agencification

- In 1980's all universities were under detailed financial state control
  - between 1980-90's: from earmarked funding to block grant funding
- Goal 2005: finding new ways to extend the institutional financial autonomy of Finnish universities
  - additional financial freedoms to institutions
  - Financial autonomy (in its current form) historically new national government policy in Finland
- Strong institutional support from universities



## **Financial autonomy policy aspires to extend financial autonomy, why financial autonomy is important? What the literature says?**

- Capacity to operate in competitive environment
- Responsiveness to diverse external demands
- Flexibility to respond to changing expectations
- Revenue diversification
- Improving performance of HEIs
- Sustainability of HEIs
- Efficiency in the use of resources





## What changed in Finland?

- The legal status: universities became legal persons under public law or private foundations
- New financial status – independent financial entity - followed the new legal status
  - The spheres of financial autonomy are not defined in the Universities Act →  
each university as an financial entity uses its new  
FORMAL financial autonomy as it prefers



# Status of financial autonomy of universities

## Pre-2010

- **State agencies**
- Part of the legal person of the state and state budget economy
- Financial entities, BUT no independence in all financial issues

## Post-2010

- **Independent financial and legal entities** separate from the state
- Independent in financial issues: own budget, borrowing money, entering into binding contracts, establishing companies, exercising commercial activities, own financial policies and investments etc.



## What did not change in Finland?

- The state government is **responsible for funding** the public duties of the universities even though the universities are no longer state agencies within the State budget economy
- This is not to say that public funding is not in the state budget
- Finnish universities are mainly publicly funded HEIs, an average 65% of their budgets come from governmental core funding



## What did not change?

- The freedom of research, art and education
- Research and higher education remain as the main tasks of the universities
- Education leading to a degree free of charge, from 2017 tuition fees for non-EU students



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- Financial autonomy: RDT perspective



## Main assumption of resource dependence theory (RDT, Pfeffer & Salancik 1978)

- **Resources:** Organisation needs resources from their environment to survive
- **Dependence:** criticality of resource, extent to which others control resources, few alternatives to resources
- **Power:** the ability to control externally critical resources
- **Uncertainty:** organisation seeks strategies to reduce uncertainty
- **Autonomy:** organisation seeks strategies to increase its autonomy



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# University – state relationships in Finland: RDT perspective

Without the support of their environment universities do not survive, therefore

Universities compete for governmental core funding in order to

- a) guarantee resources,
- b) guarantee continuation of their operations and
- c) guarantee survival in the future



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## **University – state relationships in Finland: RDT perspective**

- Governmental core funding is a critical resource for universities, why?
- Universities are dependent on governmental core funding, why?





# University – state relationships in Finland: RDT perspective

- Governmental control mechanisms
  - Legislation: entry into to field, core functions, purpose, study fields, governance, organisation, tuition fees etc.
  - Public funding formula: indicators for teaching and research
  - Performance agreement process: negotiations, meetings, seminars, feed back letters, pressing, reporting etc.
  - Evaluations: institutional auditing of quality assurance system



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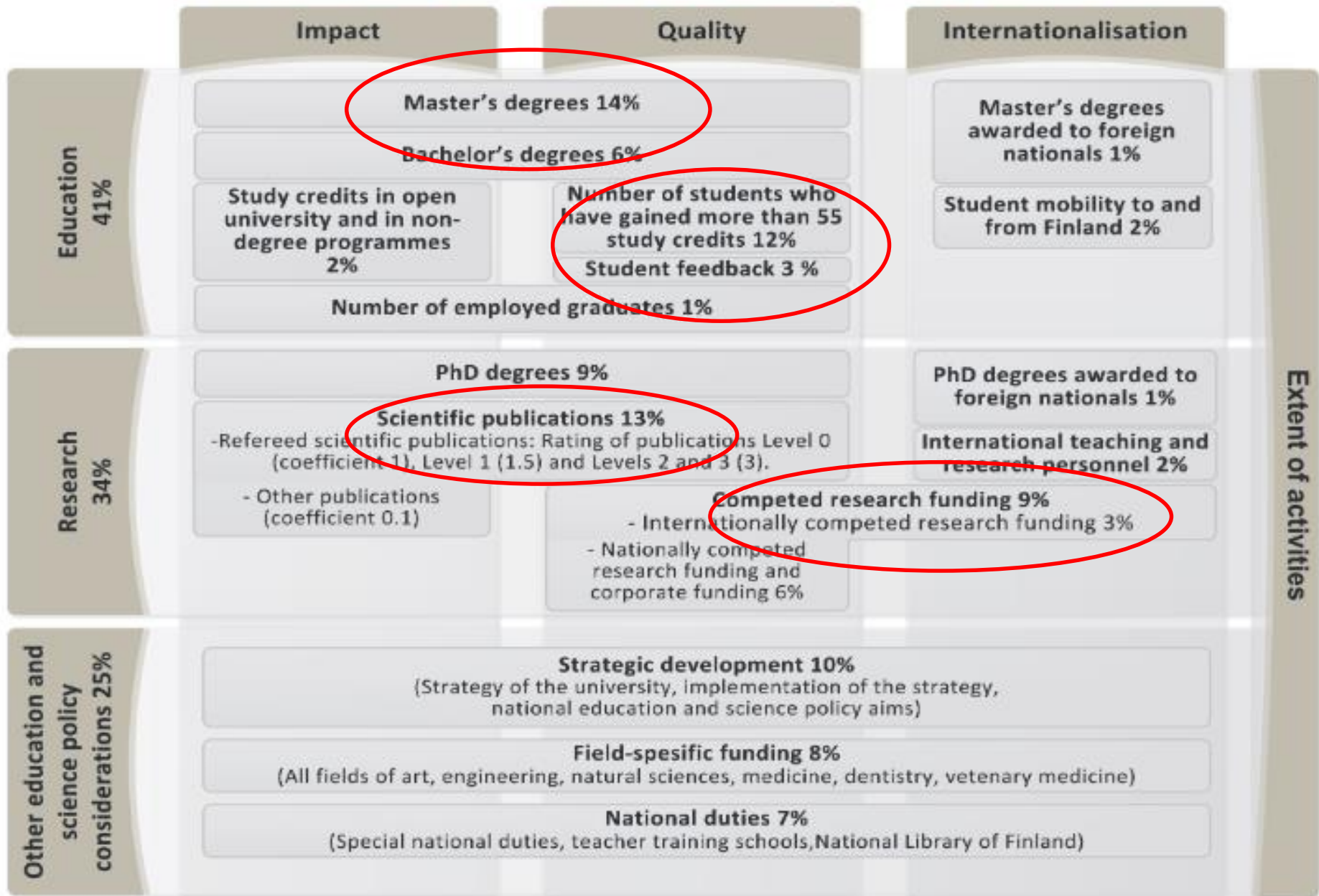
## **University – state relationships in Finland: RDT perspective**

The state/MoE has power over universities

”Without MoE’s support it is hard to operate”

Governmental funding and other mechanisms are used to control universities

# Universities core funding from 2015





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## **University – state relationships in Finland**

- Do universities try to avoid or adapt to their obvious resource dependence?



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# University – state relationships in Finland: RDT perspective

- Universities are active in relation to the MoE
- Universities protect their academic autonomy, i.e. their technical core
- **Examples of adaptive ”Ministry friendly” actions**
  - keeping the Ministry as the main stakeholder
  - informing the Ministry of the intra-institutional strategic development
  - operating in a way the Ministry and the legislator expect



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# University – state relationships in Finland: RDT perspective

- operating as a state university and serving Finland
- implementing the targets set in the performance agreement
- implementing the strategic development policy: reforming organisational structures and study programmes (cuts)
- obedience to the funding formula and showing progress in performance in activities found in the formula
  - E.g. seeking external financial resources, selecting international students, producing study points



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# University – state relationships in Finland: RDT perspective

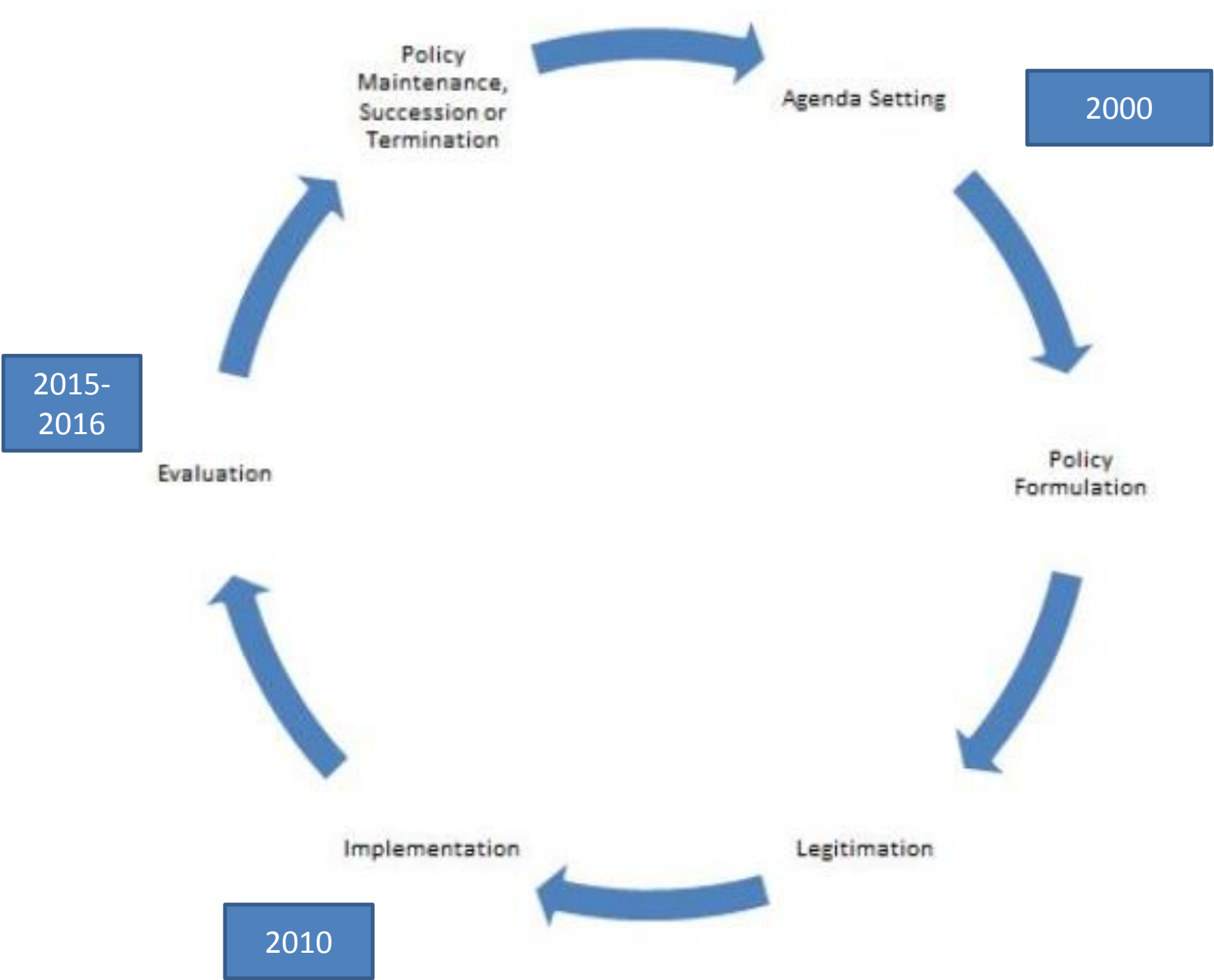
- **Examples of (soft) avoidance**
- Externally:
  - Making initiatives, statements and comments (e.g. do we get research quality via performance indicators)
  - Increasing inter-institutional co-operation to become organisationally and financially stronger
  - Increasing national/regional importance and institutional visibility to network with other stakeholders e.g. business and industry



# University – state relationships in Finland: RDT perspective

- **Examples of (soft) avoidance**
- Internally
  - Strengthening the attitude "we make the decisions"
  - Avoiding too strong focus on funding indicators
  - Creating own innovative internal indicators to boost innovations
  - Allocations to priorities set by the institution
  - Seeking balance between internal steering and Ministry's control
  - "is it bad or good steering the university is going forward"
- Strategies applied depend on universities' perceived situation







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# More information from Finnish HE system

- The state of scientific research in Finland

[http://www.aka.fi/Tiedostot/Tiedostot/Julkaisut/AKA\\_tieteen\\_tila\\_yhteenveto\\_EN\\_2014\\_web.pdf](http://www.aka.fi/Tiedostot/Tiedostot/Julkaisut/AKA_tieteen_tila_yhteenveto_EN_2014_web.pdf)

- Towards a future proof system for higher education and research in Finland

[http://minedu.fi/OPM/Julkaisut/2015/higher\\_education.html?lang=en](http://minedu.fi/OPM/Julkaisut/2015/higher_education.html?lang=en)

**Thank you!**  
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