

PEER LEARNING EVENT: “FINANCING AND GOVERNANCE”

**MANAGING CHANGE PROCESSES –
FOCUS ON FINANCING AND GOVERNANCE**



WORLD BANK GROUP

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Outline of the Presentation

- Many funding and governance reforms initiated in Latvian HE
- Approaches to change management: staged processes
- Funding and governance reforms in HEIs often complex and tricky
- What should you do to make a funding reform fail?
- Success factors in change management for funding and governance reforms

Many reforms initiated in Latvian HE:

Let's make things better !

Funding initiatives

- Align internal funding with external opportunities
- Provide financial autonomy to decentral units (e.g. faculties, institutes)
- Develop an internal allocation model
- Develop incentive systems (bonuses, remuneration, ...)
- Generate external revenues
- Internal charges for services
- Monitoring of financial performance

Governance initiatives

- Reorganisation and redistribution of management responsibilities (transparency)
- Internal stakeholder information and involvement (student & staff)
- Involve external stakeholders
- Collaboration between various units
- Internal quality assurance
- Strategy development and implementation
- Monitoring of strategic progress
- Administration and management skills

Approaches to Change Management

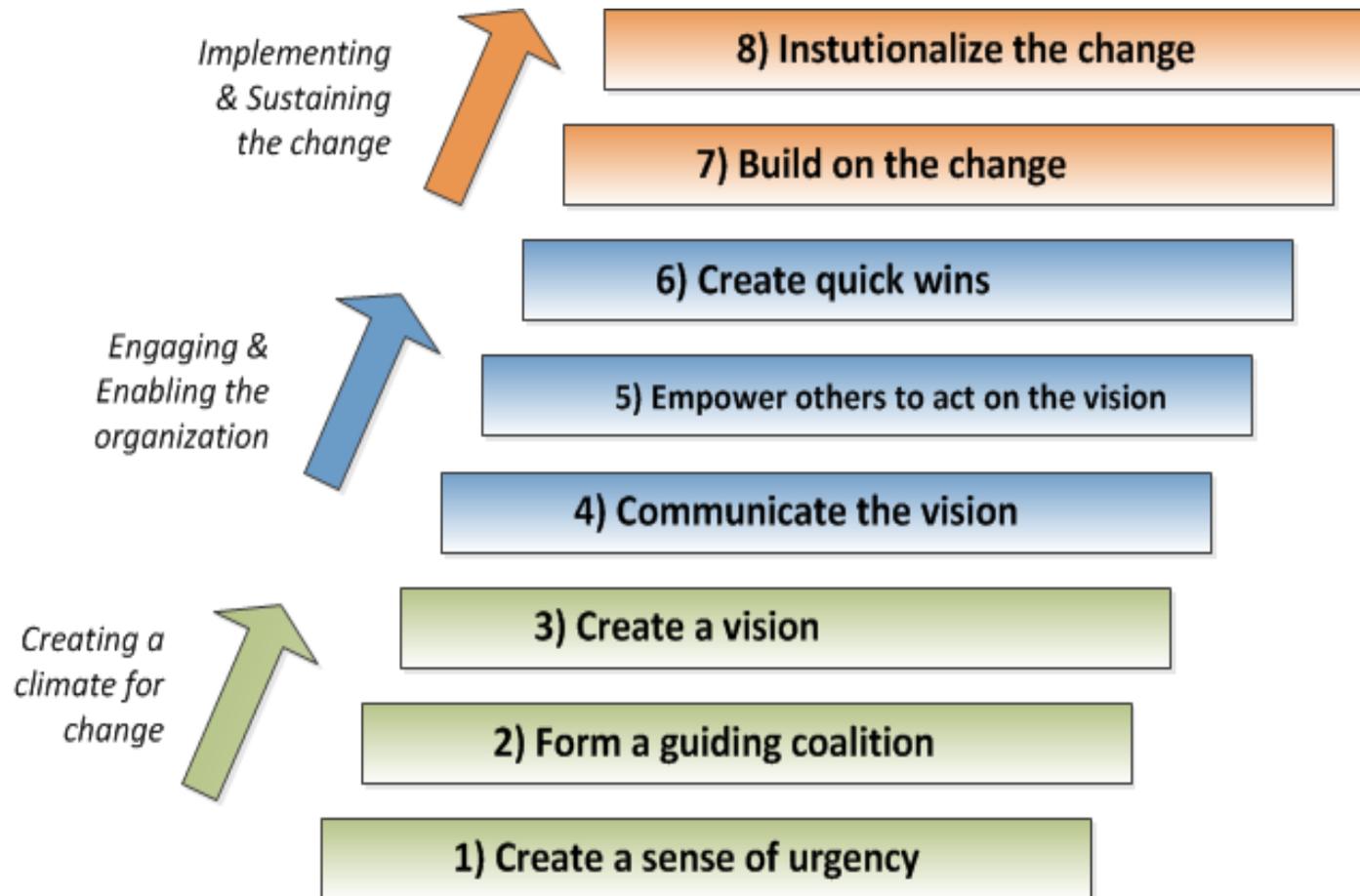
- Mostly we talk about technical implementation, but technical optimization is not enough
- Organizational change sounds simple but is difficult (to do well)



Approaches to Change Management

- “Change management is the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal stakeholders” (e.g. customers) (Moran and Brightman, 2000, p. 111)
- Various approaches and models to guide change management:
 - Change process model of Hayes (2014; 5 stages)
 - Schein’s model of transformative change (3 stages)
 - Lewin’s force field analysis (3 stages)
 - Kotter’s 8-stage change management model (1995)

Kotter's 8-stage model



Accelerators of change in Kotter's model



Resistance to change

Reasons

- Nature of the change
- Misunderstanding
- Different assessments of the situation
- Consequences of the change
- Organisational history
- Individual characteristics (low tolerance to change)
- Individual history (self-interest)

Approaches to deal with resistance

- Education and Communication
- Participation and Involvement
- Facilitation and Support (empathy)
- Negotiation and Agreement
- Manipulation and Co-option
- Explicit and Implicit Coercion

Funding and Governance reforms in HE complex

HEIs are complex organisations with features impeding change:

- Goal ambiguity: not a single production function
- Knowledge provides building blocks: problematic technologies
- Multiple clients/stakeholders
- Fragmented - loosely coupled organisation (low level of integration)
- High professionalism of academics
- Commitment to discipline rather than the university
- Limited ability of management to reward and sanction

Funding and governance reforms imply tricky issues

- It is about money and power
- There are winners and losers (financially and in authority / autonomy)
- Performance differences become visible
- Financial and reputational risks emerge

→ not everyone immediately sees the opportunities:
difficult to gain support, resistance

So ... an alternative starting point:

What should you do to make a reform fail?

(still focus on funding and governance reforms,
example to discuss failure: formula funding,
performance agreements)

What to do to make a reform fail?

- you tell a sad story (the government wants it, we have to...)
- you don't need a situation analysis, you just copy the government's model internally
- you start the discussion with a table where you show the wins and losses of the university's units
- you don't link the reform to your strategies (as it is externality imposed, you don't need legitimization for reforms)

What to do to make a reform fail?

- as you don't want to intervene too much in collegial decisions, you don't position yourself clearly
- you suggest a readymade model, designed together with your kitchen cabinet
- you make clear that a new funding formula will be fully implemented immediately, no matter what the financial consequences are
- the rules how to deal with the reform (e.g. performance agreements) remain vague, this gives you some flexibility in practice

What to do to make a reform fail?

- you don't care about further developments of the funding/governance model in the future
- to implement a new reform (e.g. funding formula, senate size) is just a technical thing, it doesn't require project or people management

congratulations, you failed!



Now: Turning failures into aspects of good practice, 8 success factors (now incl. some governance issues again)



Success factor 1: convincing story telling about the reform

*„Reform of state funding
creates an opportunity for us“*

*„We adapt the system/
structure to our goals
and culture“*

*„performance
orientation is a chance,
and we make risks
manageable“*

*„Fewer units saves
administration and lobbying
time, thus more focus on
teaching & research “*

*„Involvement of students brings
creativity and reputation“*

*„We could do better than
the government,
according to our needs“*

„We can solve a major problem“

*„It helps us to stimulate
research orientation“*

*„More performance
information better guides
internal discussions “*

Success factor 2: discuss and realize the strategic fit

Explicit discussion and decision about adaptation to state model vs. support of own university goals

Justify structures, performance indicators, stakeholder involvement, financial incentives with strategic goals

Relate discussions about funding and governance to their contribution to strategic goals

Success factor 3: realize a functioning implementation process

- Kick-off workshop (what is the problem, strategic fit, others who do the same, answer questions, fix rules of the game, ...)
- Analyse the status quo (framework conditions, SW of current model, availability of data, ...)
- Design a model structure, show options with pros and cons
- Make decisions on basic features under „veil of ignorance“
- Formula funding: Present simulated results and effects as a sensitivity analysis (try to reduce importance of exact calculations, show options for improvement)
- Make a clear and final decision

Success factor 4: continuous participation and communication

Academic bodies for
decisions, expert
groups for model
development

Transparency of the
process

Integrate strategy
oriented discussion
and information
formats

Reporting and
discussion of
outcomes of models,
give explanations

- Advisory board(s), regular updates, newsletter, returning agenda points

Success factor 5: invest in trust-building in the reform

clear „rules of the game“ (e.g. procedures of performance agreements)

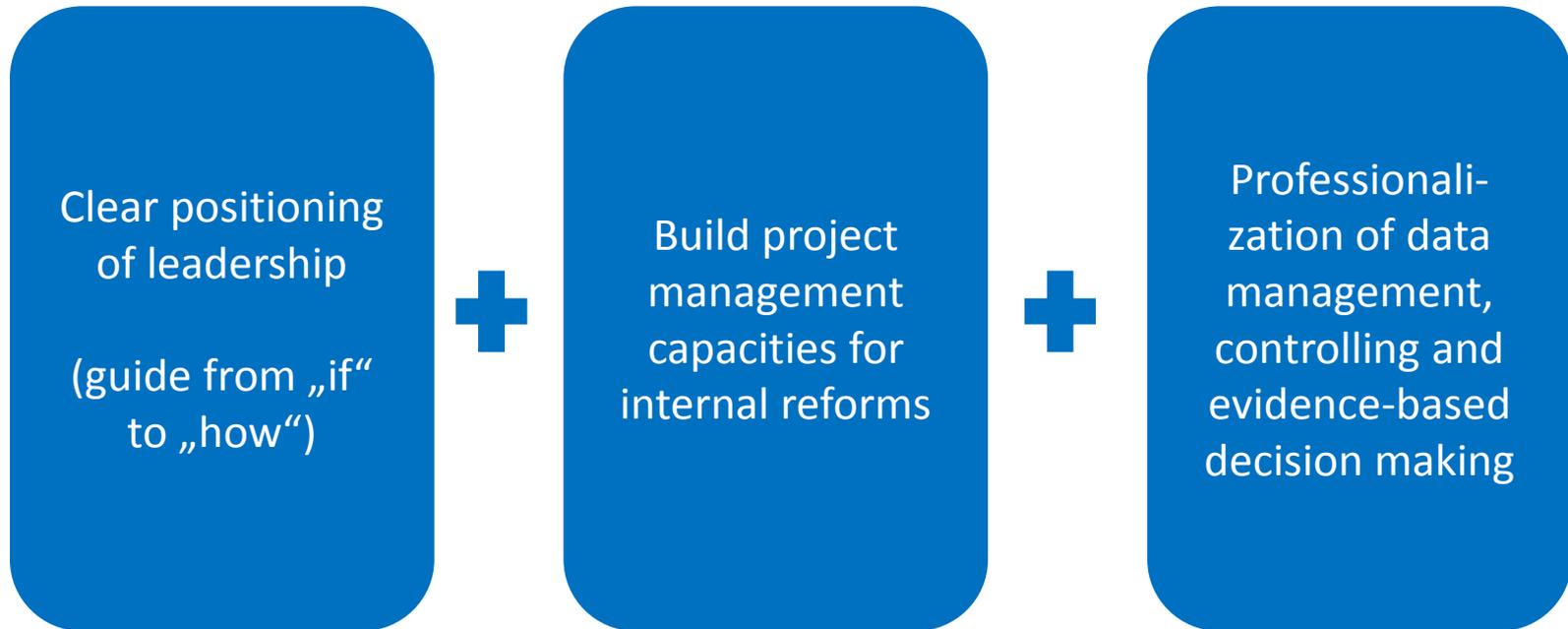


Limitation of risks (formula: maximum loss per year, 3 year averages of indicators, stepwise implementation of formula effects)



Agreement on evaluation after some time

Success factor 6: professional management



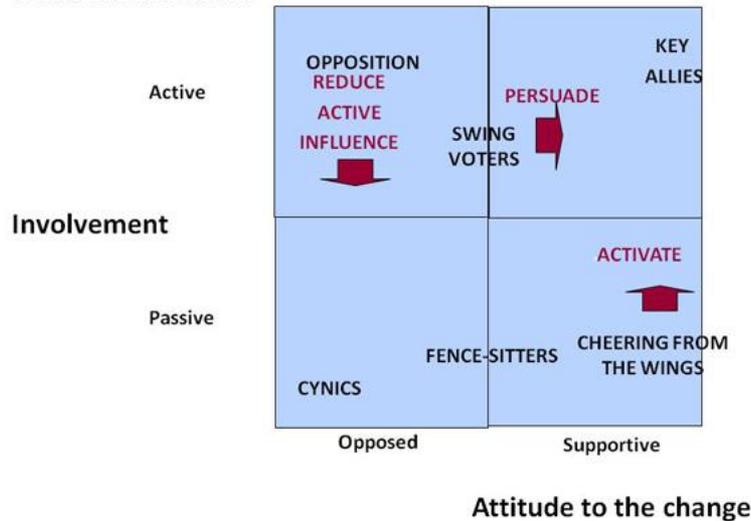
Success factor 7: carefully handle resistance

Engage in stakeholder mapping



A stakeholder map can help you visualise the stakeholders

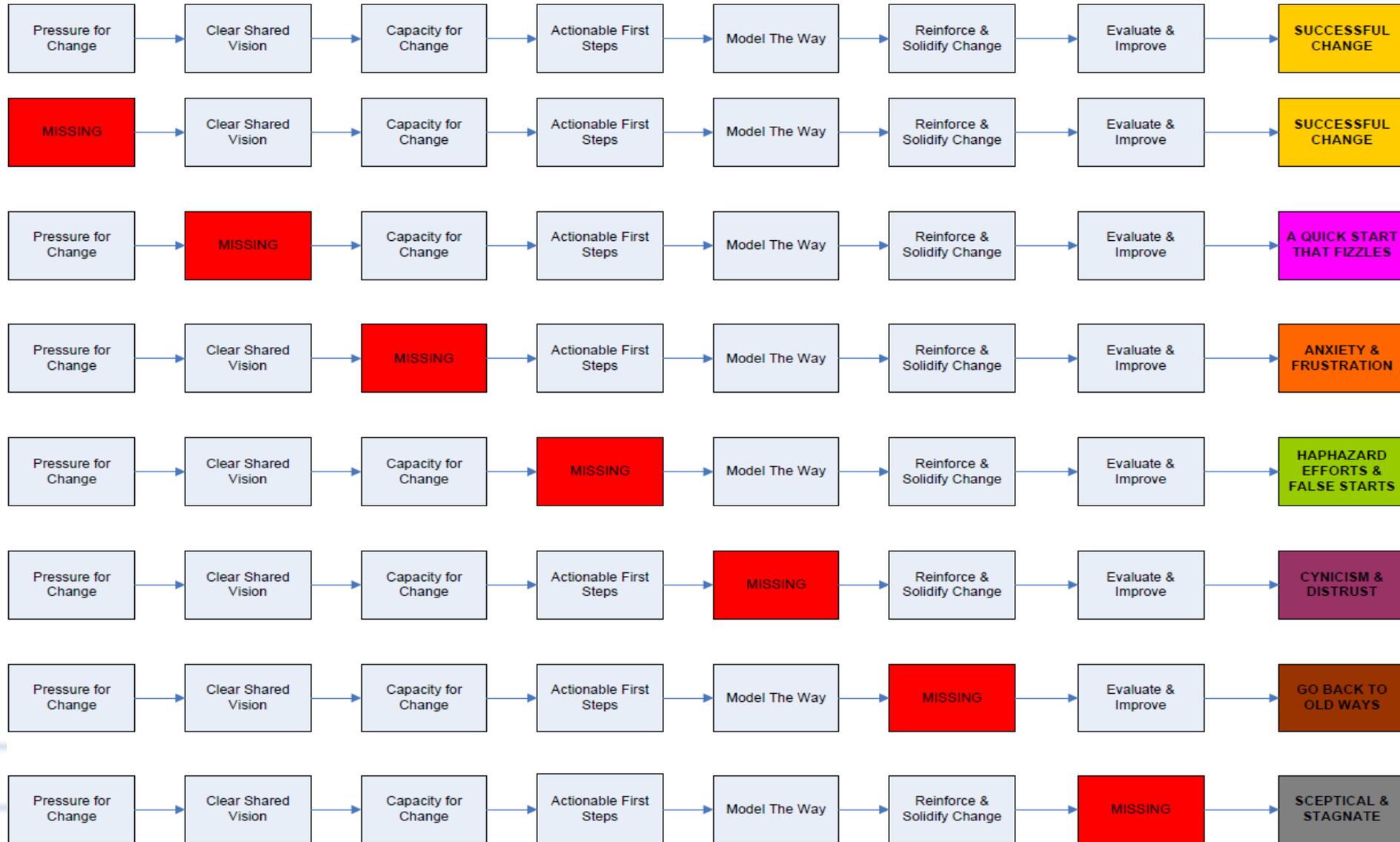
STAKEHOLDER MAP



Create quick win-win situations (performance based funding + more autonomy in spending)

Analyze and deal with the reasons of resistance (being uninformed, fear of loss, non-acceptance of goals...)

Success factor 8: realize that change can fail in any stage



Time to apply change management ...

- Examples from Latvian universities
 - Financing reforms at institutional level
 - Balancing managerial and collegial governance models
- Collection of success factors for change management in Latvian HE
- Peer consulting sessions
- Practical questions („clinic“)