



Faculty of Business Administration

In chancellors we trust?

The Introduction of Dual Executive Leadership in Hungarian Higher Education: How Chancellors are perceived by Academic Leaders?

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Why trust is important (in HE)?

- Increase predictability (system theory)
- Decrease complexity (system theory)
- Decrease transaction costs (institutional economics)
- Increase the capacity to cope with environmental challenges by making easier for partners to adjust their behaviour (institutional sociology)
- Required for autonomy, empowerment and personal growth (critical management)

Agenda

- Researching trust in higher education
- The context of the changing higher education governance in Hungary before 2015
- The introduction of the chancellor system
- Critical success factors of dual executive leadership
- Do we trust chancellors? The results of a survey
- Tentative conclusions

Irregularities

| | Hungarian Universities (A-F) | | | | | |
|--------------------------------------|------------------------------|----------------------|---|----------------|---|---|
| | A | B | C | D | E | F |
| Control Environment | | | | | | |
| Information and Communication System | | | | | | |
| Risk Management | | | | | | |
| Control Activities | | | | | | |
| Monitoring System | | | | | | |
| | Acceptable | Partially acceptable | | Not acceptable | | |

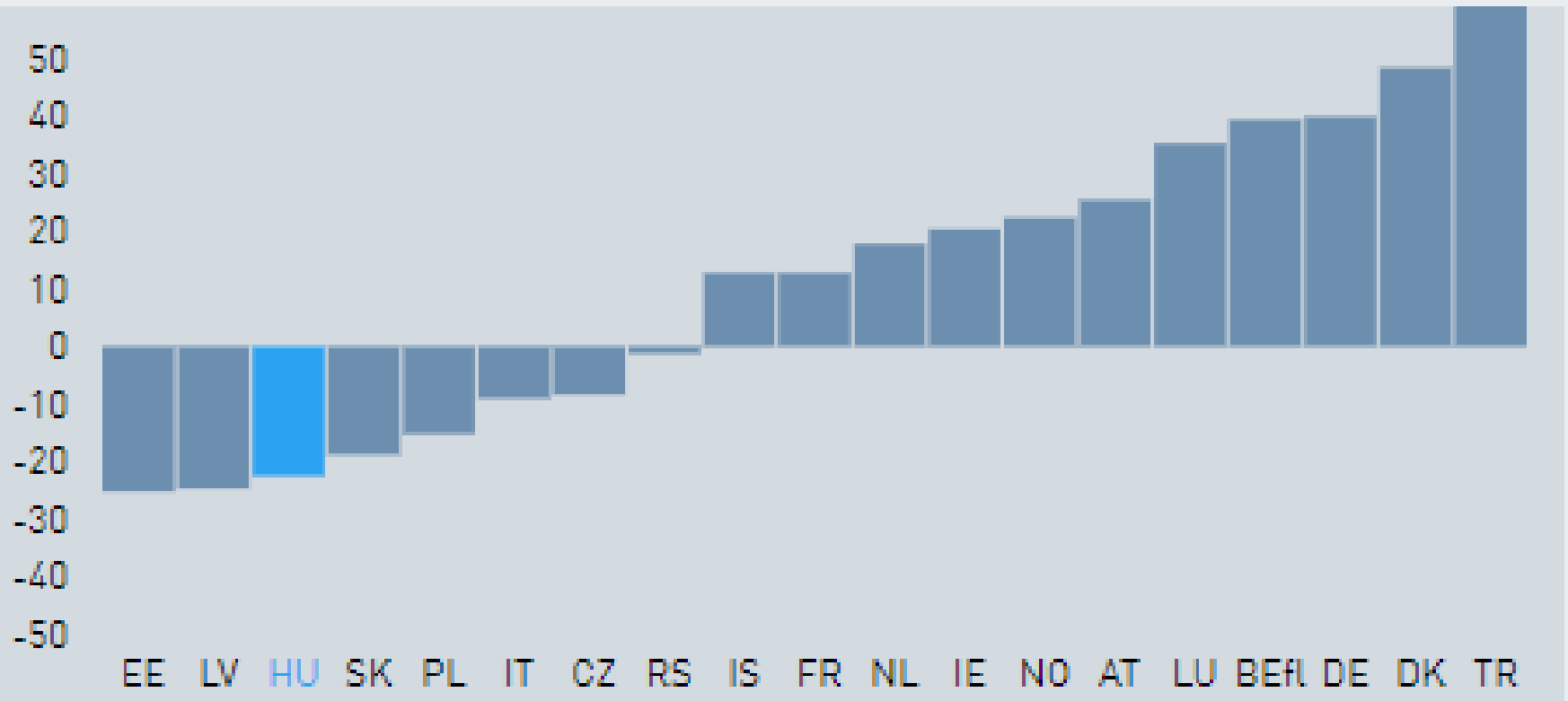
Ministry of Human Capacities quoted by by Pavlik - Drótos (2017)



Number of students between 2008-2015

Number of Students

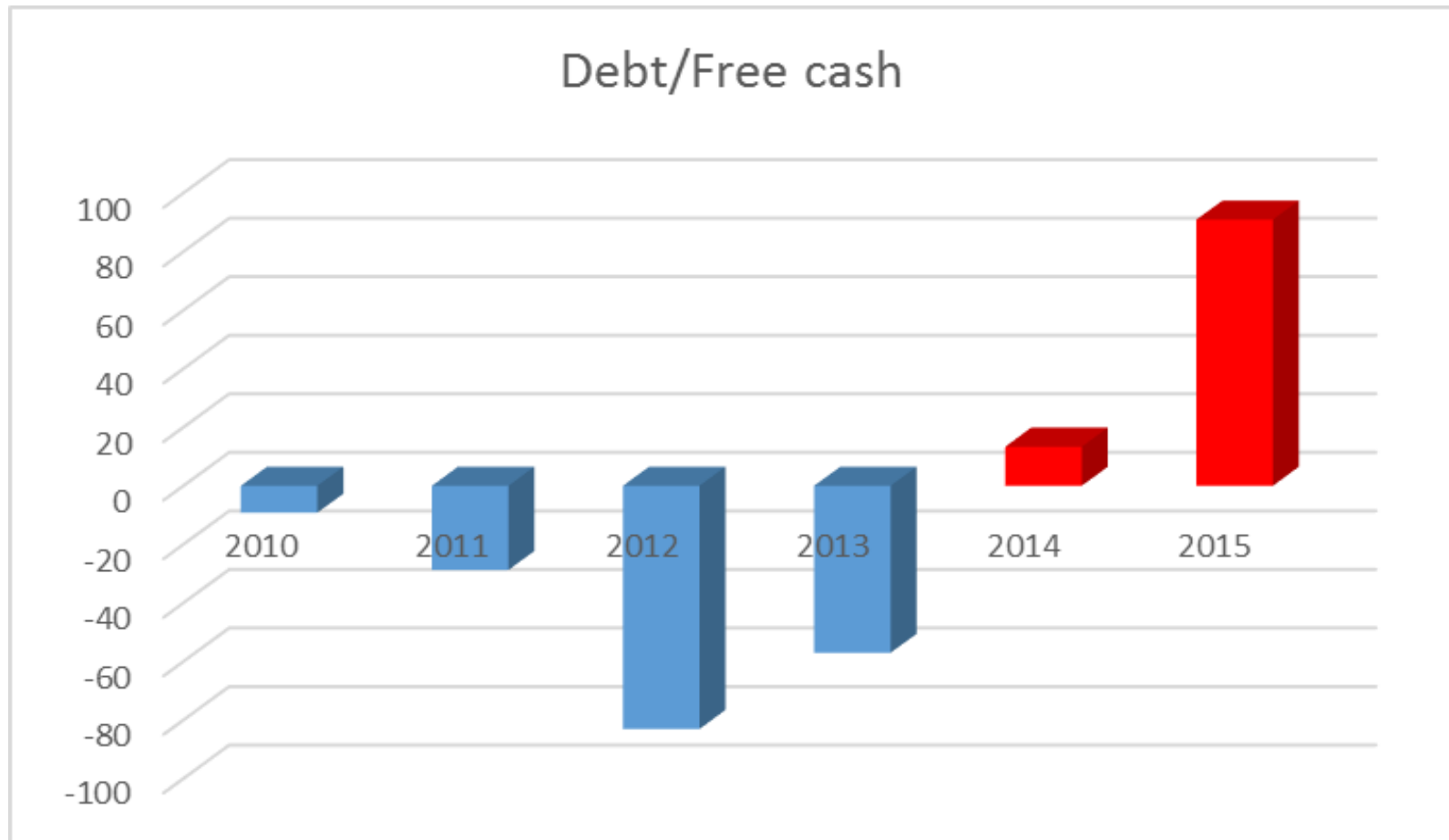
Change in % 2008 - 2015



Source: <http://www.eua.be/publicfundingobservatory>



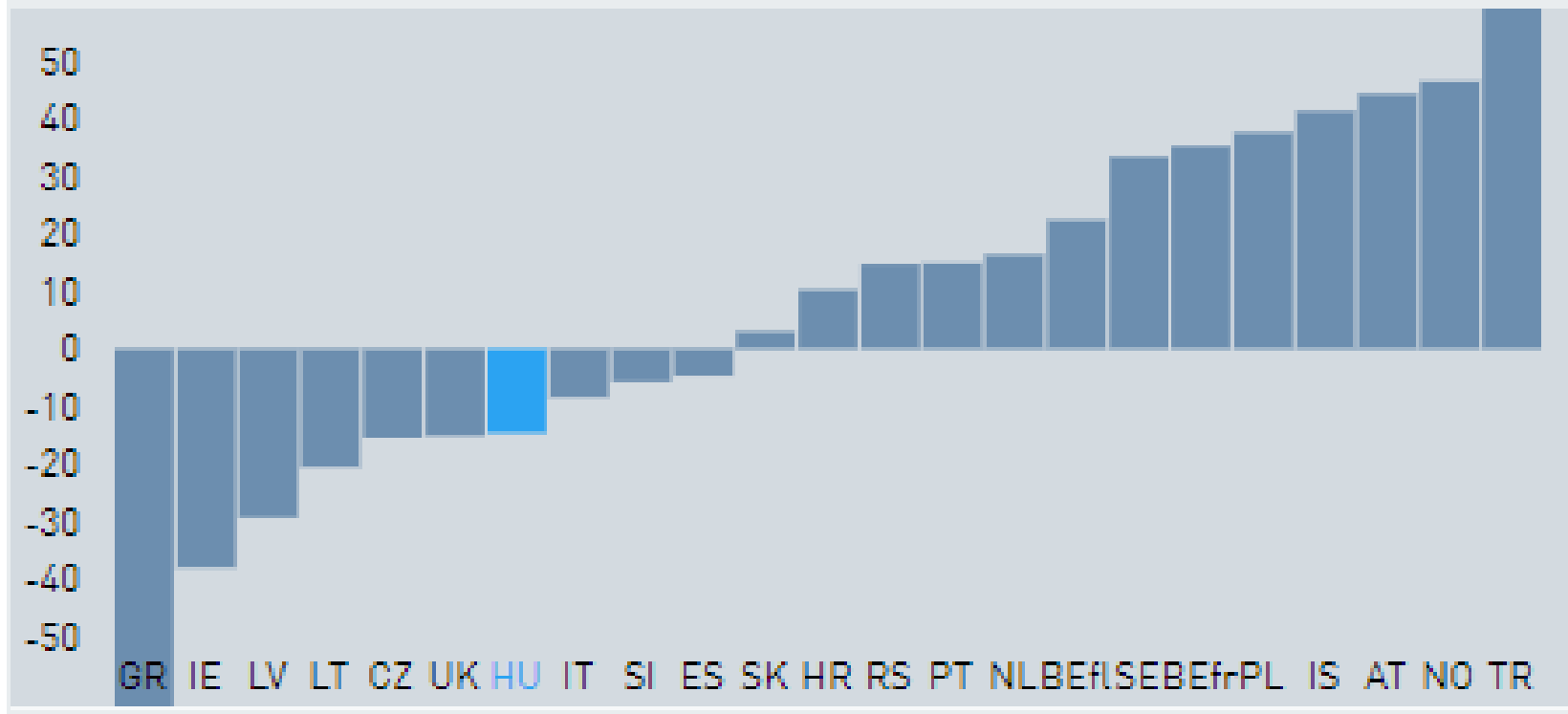
Debt/Free cash of institutions (in milliard HUF)



The change of public funding of institutional expenses between 2008 and 2016

Total Funding in EUR

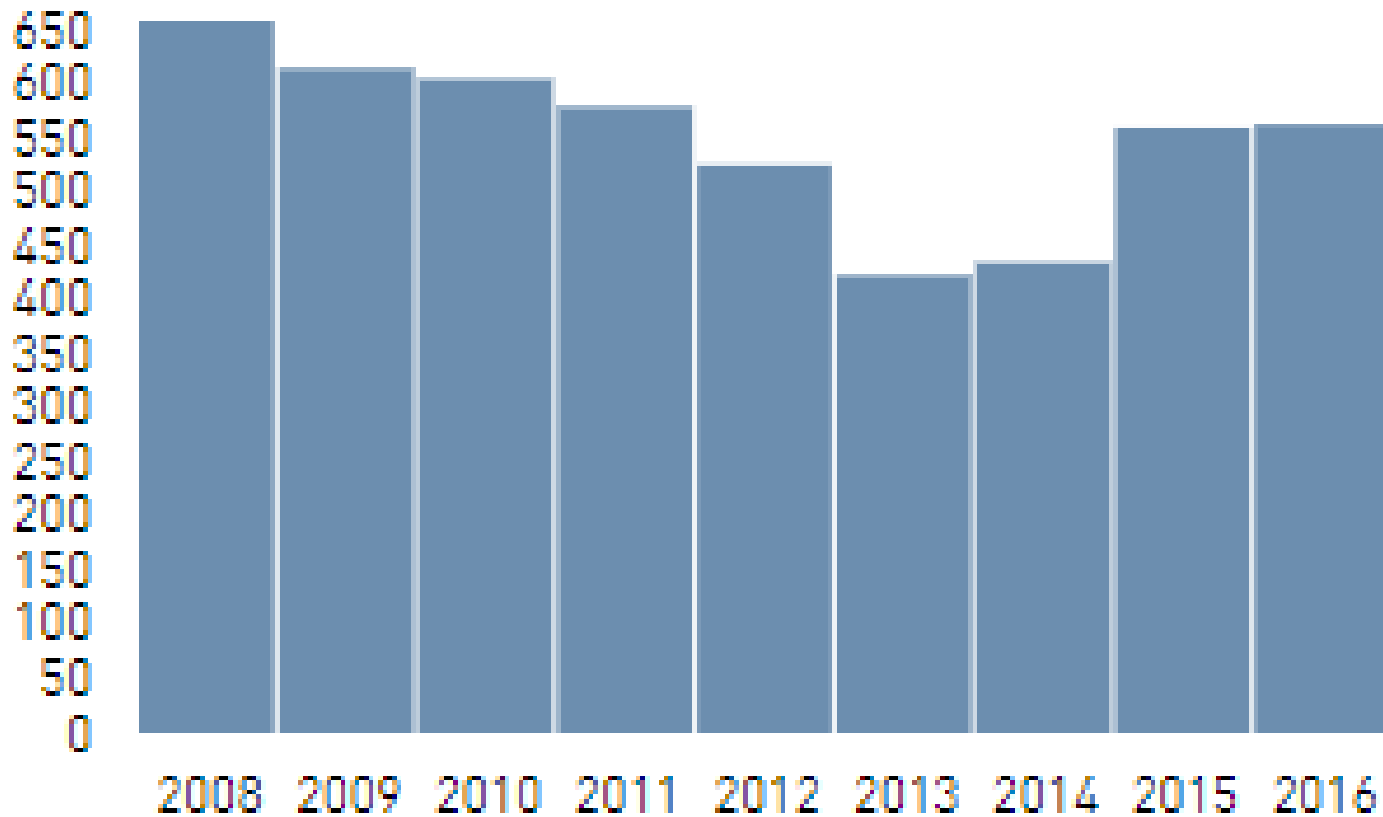
Change in % 2008 - 2016



Source: <http://www.eua.be/publicfundingobservatory>

Gergely Kováts: In chancellors...

Public funding of the Hungarian higher education in EUR (Millions)



<http://www.eua.be/publicfundingobservatory>



Changes in the constitution / fundamental law

■ From:

- (1) The Republic of Hungary shall respect and support the freedom of scientific and artistic expression, the freedom to learn and to teach.
- (2) Only scientists are entitled to decide in questions of scientific truth and to determine the scientific value of research.

■ To:

- „Hungary shall protect the scientific and artistic freedom of the Hungarian Academy of Sciences and the Hungarian Academy of Arts. Higher education institutions shall be autonomous in terms of the content and the methods of research and teaching; their organisation shall be regulated by an Act. **The Government shall, within the framework of an Act, lay down the rules governing the management of public higher education institutions and shall supervise their management**”



Financial autonomy

- The financial autonomy decreased considerably in this period.
- Public institutions heavily depend on public funding
- Allocation mechanism
 - The transparency of funding mechanisms decreased significantly
 - From formula funding to the combination of institutional (basic) funding + target funding
 - Significant changes in the allocation of state funded students
 - The ratio of external funding (e.g. business organization) in institutional budgets is extremely limited (3-4%)

Berács et al 2015



Organizational autonomy after 2010

- Forced mergers and demergers
- The selection of rectors: institutional choices were overruled by the ministry
- The government appoints financial directors, internal inspectors, financial inspectors
- The introduction of the chancellor system (in all public institution).
- The introduction of a new, government dependent supervisory board.

Kováts 2013, Berács et al 2015

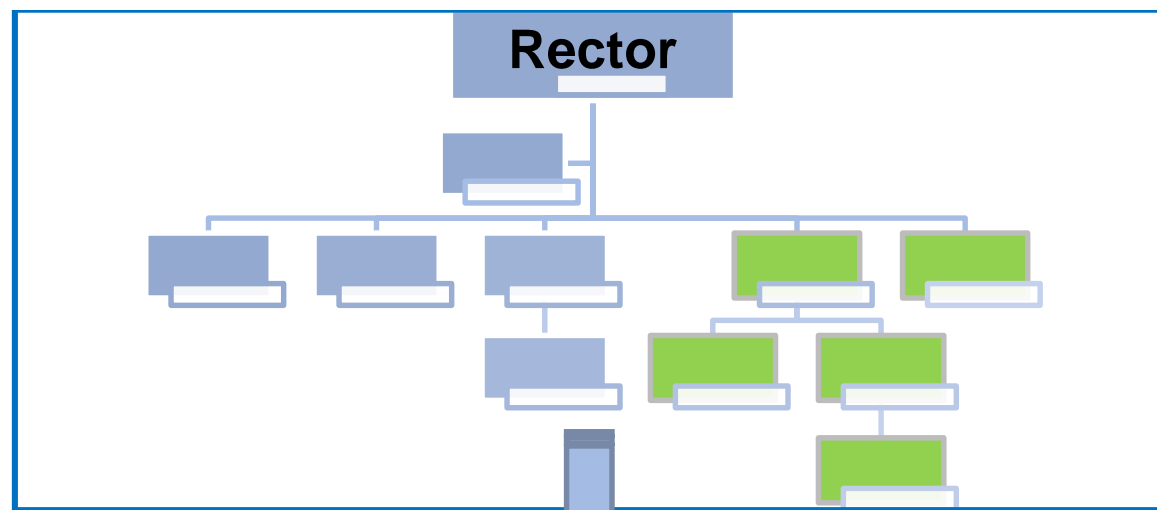


Summary: changing context of Hungarina HE

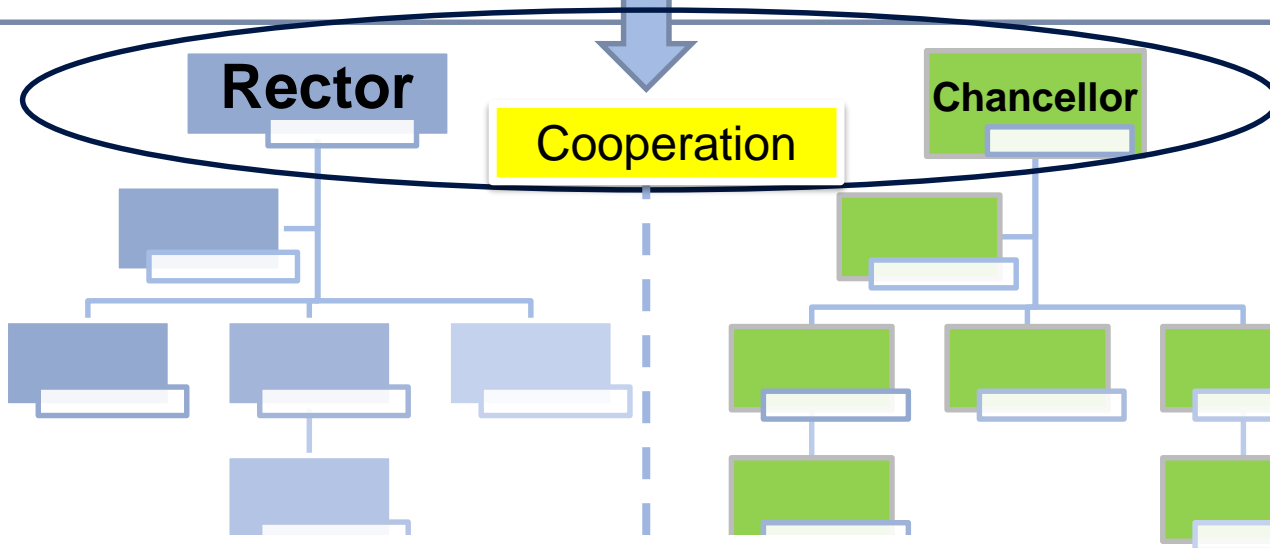
- Decreasing student numbers
- Irregularities and debts
- Decreasing public funding, changing allocation mechanisms (increasing role of target funding instead of formula funding)
- The overall autonomy of institutions decrease
- Weakening role of buffer organizations



The introduction of chancellors into Hungarian higher education



Reforms in 2014



Core activities:
academic
and
research
activities

Support activities:
finance,
accounting,
informatics,
legal area,
purchasing,
library, etc.

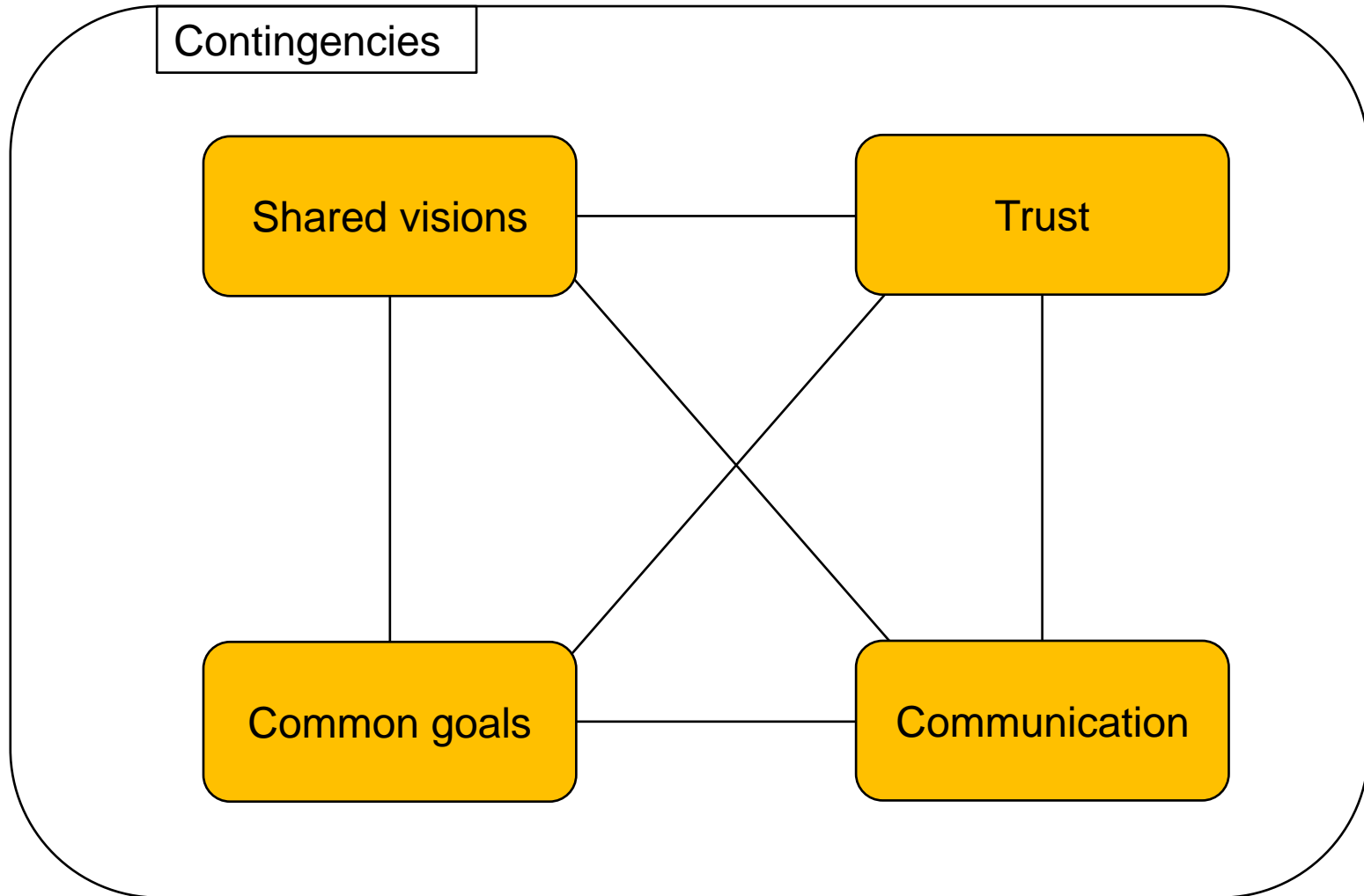
The introduction of chancellors into Hungarian higher education

- The leader of the organization is the rector
- ...and the chancellor
- The chancellor
 - is responsible for the budget and administration (veto right)
 - is the employer of all non-academic personnel
- Employment conditions
 - Chancellors are selected and appointed by the ministry without involving/consulting with the institution.
 - The rector has no formal power over the chancellor.
 - The employer of the chancellor is the ministry.



| State | Recommend | Elect Confirm, Consent | Appoint | Employer |
|------------------------|---|---|-------------------------|---|
| Berlin | curatorium (dominated by the State) | ----- | State | State |
| Lower Saxony | Rector (Hochschulerat express opinion) | Senate | State | State |
| Saarland | Rector | Senate | State | State |
| Saxony | Rector (Senate express opinion) | Hochschulerat consent is required | State | State |
| Saxony-Anhalt | Senate | ----- | State | Minister (can delegate the to the rector) |
| Hamburg | Rector | Hochschulerat | State | State |
| Thuringia | Rector | Senate (with the consent of the minister) | Hochschulerat | Rector |
| North Rhine-Westphalia | ----- | The united committee of the Senate and the Hochschulerat with the consent of the rector | State | State |
| Mecklenburg-Vorpommern | Rector | Committee (Konzil) consisting of university citizens | State | State |
| Schleswig-Holstein | Rector (at least two persons) | Senate | State | State |
| Bavaria | Hochschulerat | ----- | Rector [State confirms] | Rector |
| Rhineland-Palatinate | Hochschulerat | ----- | Rector [State confirms] | Minister (can delegate the right) |
| Bremen, Hesse | Rector | Senate | Rector | Rector |
| Brandenburg | ----- | ----- | Rector | Rector |
| Baden-Württemberg | Committee consisting of Representatives of Hochschulerat + State + Senate narrow a list with the consent of the minister. Rector recommends among them. | Hochschulerat + Senate choose together from the narred list | Not known | Minister (can delegate the right) |
| Hungary | - | State | State | Minister |

Critical success factors of dual leadership



(Miles - Watkins 2007)

Research questions and methodology

■ Research questions

- How chancellors are perceived? Are they trusted?
- What are the effects of the institutional setting: risks and side effects?
- (Consequences?)

■ Methodology

- Questionnaires in 2015 (N=133, 26,2%) and in 2016 (N=134, 25,7%)
- Sample is representative regarding position and institutional type.
- 5-40% response rate per institutions



Grouping of respondents, 2015 (N=117)

| | | Satisfaction with the activity of the chancellor | | | |
|--------------------------------------|------------------------|--|------------------------|-----------------------------|--------|
| Support for the chancellor system | Supporting | Supporting (Satisfied) | Uncertain/No answer | Opposing (Not satisfied) | Total |
| | Supporting | 19,7% | 4,3% | 5,1% | 29,1% |
| | Uncertain/No answer | 5,1% | 0,9% | 5,1% | 11,1% |
| | Opposing | 17,9% | 5,1% | 36,8% | 59,8% |
| | Total | 42,7% | 10,3% | 47,0% | 100,0% |

22 responses could not be grouped

Source: Chancellor questionnaire 2015



Grouping of respondents, 2016 (N=133)

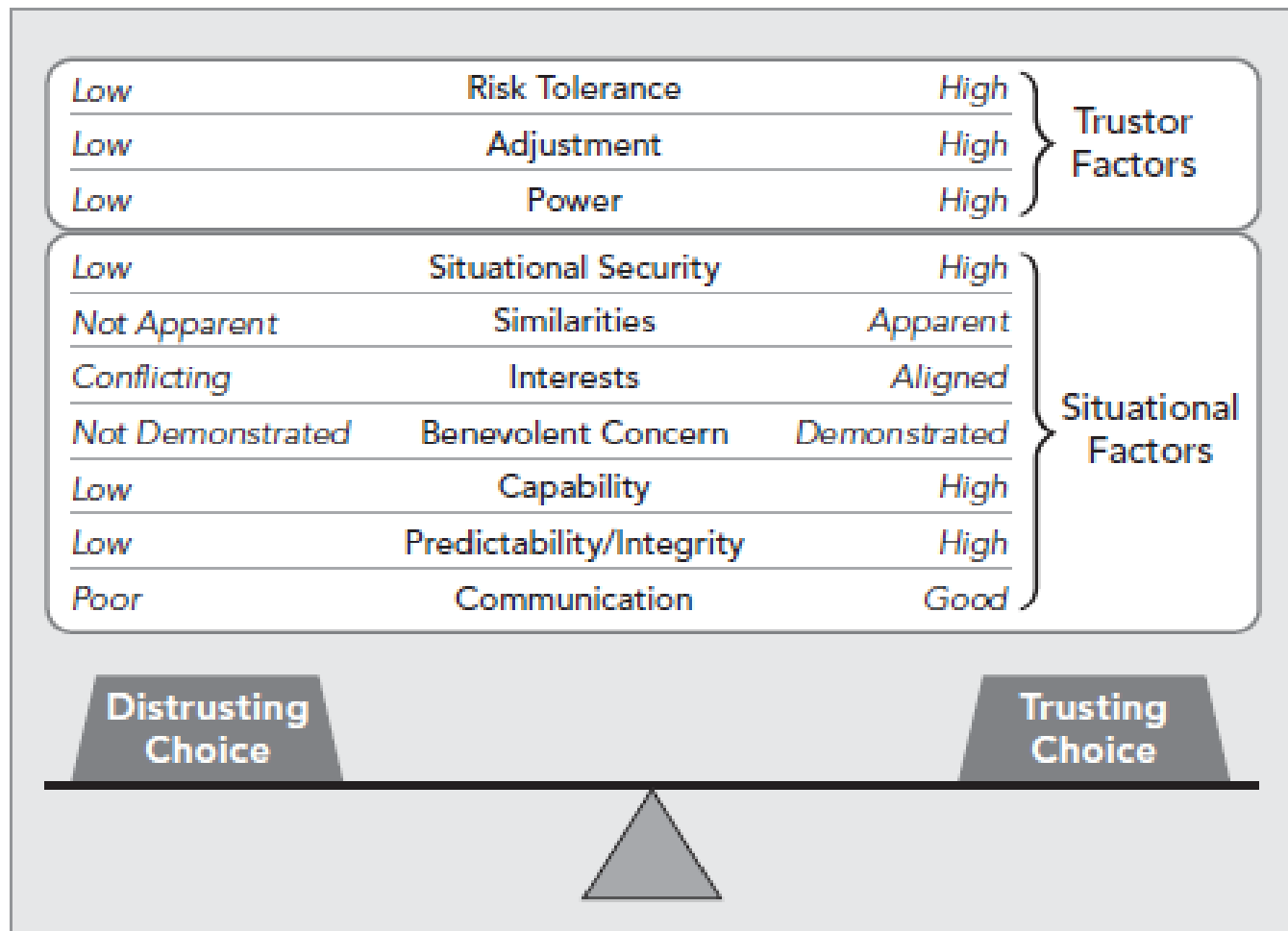
| | | Satisfaction with the activity of the chancellor | | | |
|-----------------------------------|---------------------|--|----------------------|--------------------------|------------------------|
| Support for the chancellor system | | Supporting (Satisfied) | Uncertain/No answer | Opposing (Not satisfied) | Total |
| | Supporting | 12,8% (-6,9%) ↓ | 0,0% (-4,3%) ↓ | 1,5% (-3,6%) ↓ | 14,3% (-14,8%) ↓ |
| | Uncertain/No answer | 6,8% (+1,6%) ↑ | 0,0% (-0,9%) ↓ | 3,0% (-2,1%) ↓ | 9,8% (-1,3%) ↓ |
| | Opposing | 27,8% (+9,9%) ↑ | 0,8% (-4,4%) ↓ | 47,4% (+10,6%) ↑ | 75,9% (+16,1%) ↑ |
| | Total | 47,4% (+4,6%) ↑ | 0,8% (-9,5%) ↓ | 51,9% (+4,9%) ↑ | 100,0% |

(in parentheses: change from 2015)

Source: Chancellor questionnaire 2016, 2015

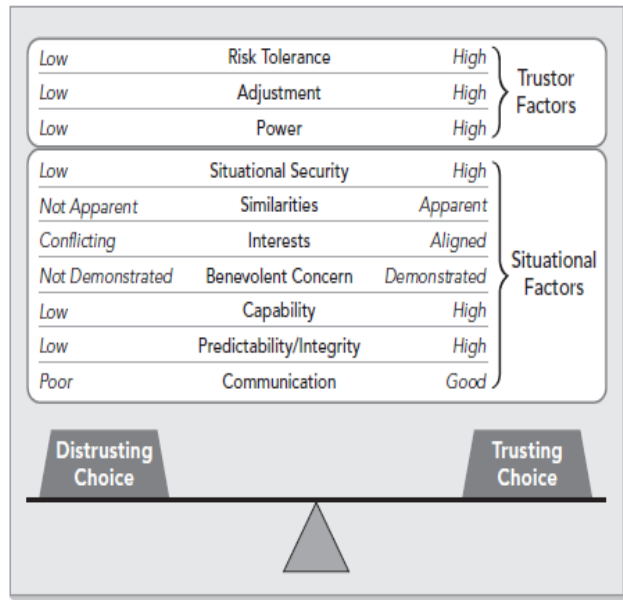


The decision to trust model (Hurley 2012)



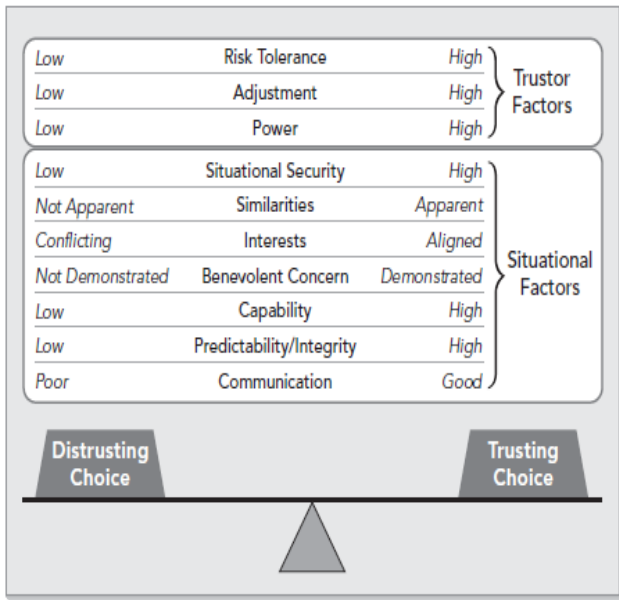
Hurley 2012:28

Power



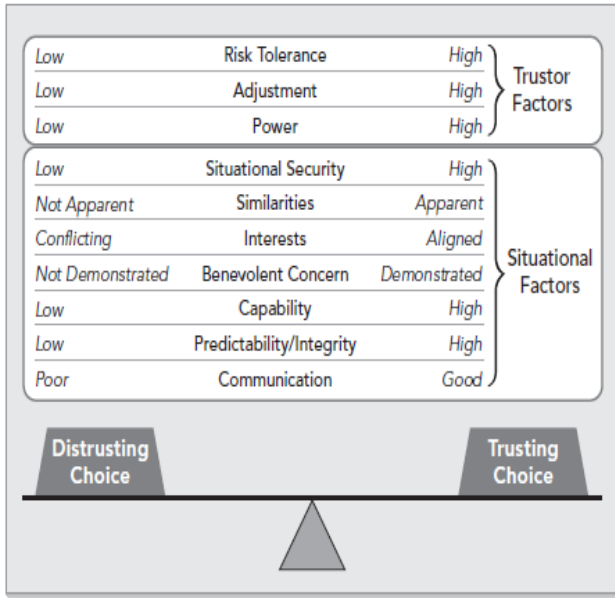
- Bottom-heavy organization: high demand for autonomy
- Decrease of authority over the chancellor
- Less chance to „retaliate”
- Conflict resolution is done by the ministry (or by the consistory)

Situational security (the stakes)



- Chancellors are responsible for the budget, they can influence every aspect of the organization
- Significant change of the governance – uncertainty

Similarities & Capabilities



- Are they from among us?
- Do they know the sector / the HEI?
- Are they competent?

Previous institutional affiliation

| | | Previous institutional affiliation | | |
|---|---|--|---|-------|
| | | Yes (was the employee of the institution before) | No (no previous employment in the HEI) | Total |
| Satisfaction with the activity of the chancellor | Satisfied / rather satisfied | 65% | 38% | 48% |
| | Not satisfied / rather not satisfied | 35% | 62% | 52% |
| | Total | 100% | 100% | 100% |

Source: Chancellor questionnaire 2016



Characteristics of chancellors (2015)*

| | Links to the governing party | Links to the institution | Higher education experience | Business experience |
|---------------------------------|--|---|---|---|
| Yes, strong | 9 | 8 | 12 | 17 |
| Yes, weak | 4 | 3 | 0 | 4 |
| No/not known | 15 | 14 | 14 | 4 |
| No information | 1 | 4 | 3 | 4 |
| Total | 29 | 29 | 29 | 29 |
| Explanation for „Strong” | Member of the parliament, member of local government Senior leadership position in (local) government | Working at least two years in the institution | | Working as a senior manager in a business organization for at least 2 years |
| Explanation for „weak” | Senior leadership position in public enterprises | Working 2 years or less in the institution | Working in higher leadership position in higher education | Working as a senior manager in a public enterprise |

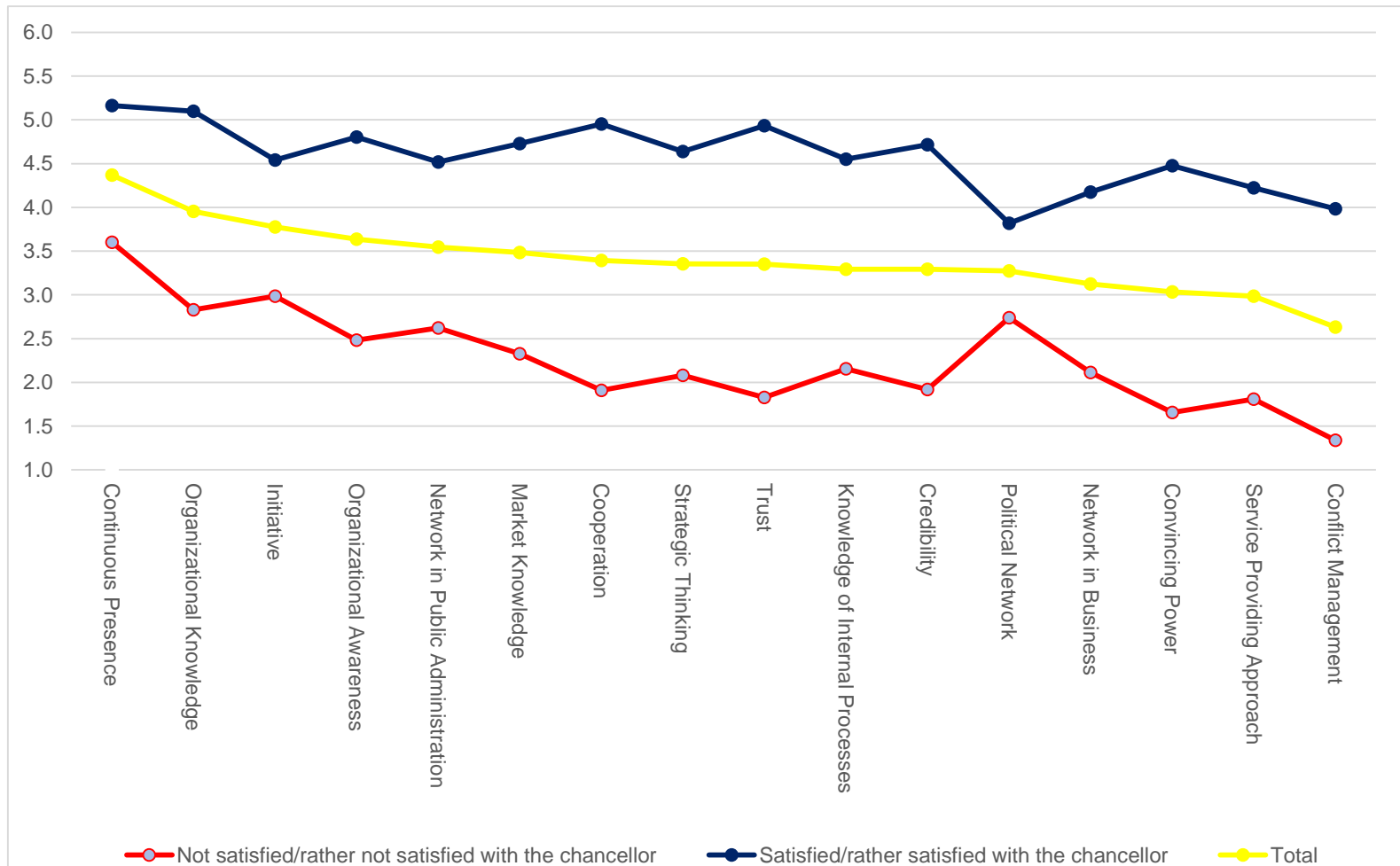
Table is based on CVs of chancellors and public news.
Figures as of 1st Jan 2015



Perception of the realization of chancellors' competencies (2016)

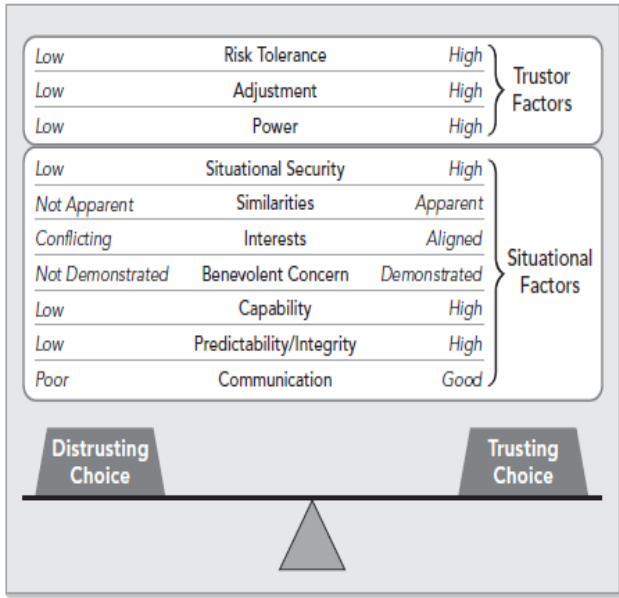
Fully realized

Not realized at all



Source: Chancellor questionnaire 2016

Interests & Benevolence



- Whose agenda does the chancellor follow? Whose interest they represent?
 - The government?
 - The institution?
 - The profession?
- Can chancellors serve two masters at the same time?
- Institutions were not involved in the selection of chancellors

Characteristics of chancellors (2015)*

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Perception of the realization of behaviours/roles: serving the government

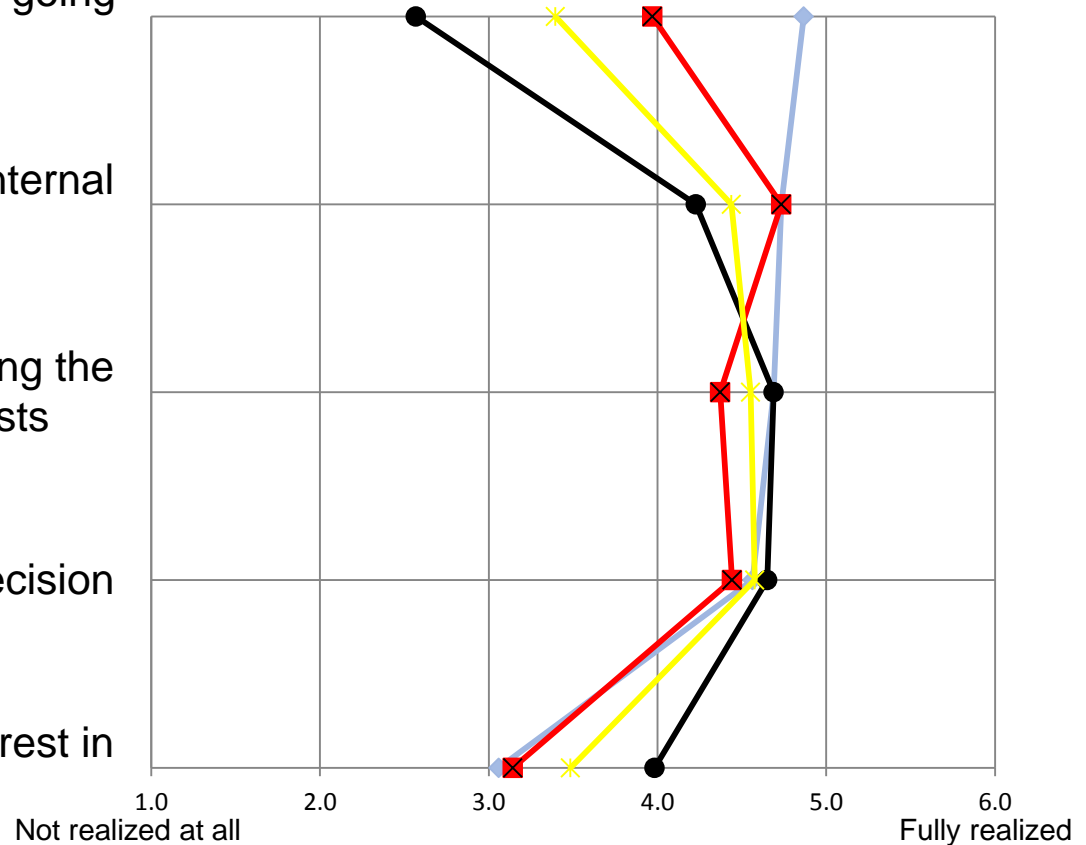
informing the maintainer about on-going
internal affairs

informing the maintainer about internal
affairs

representing and forcing the
maintainer's interests

executing maintainer's decision

enforcing maintainer's interest in
academic affairs

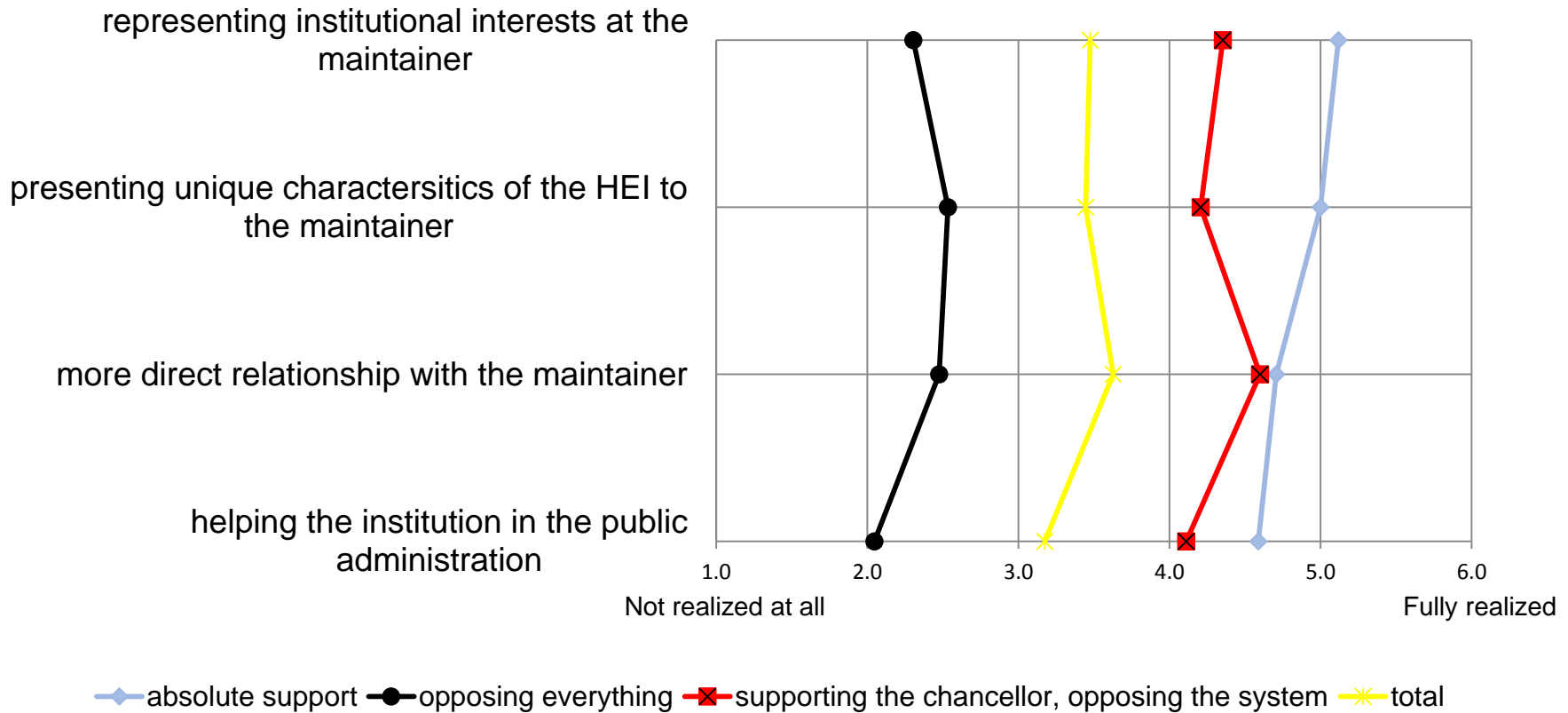


—♦— absolute support —●— opposing everything —×— supporting the chancellor, opposing the system —*— total

Source: Chancellor questionnaire 2016



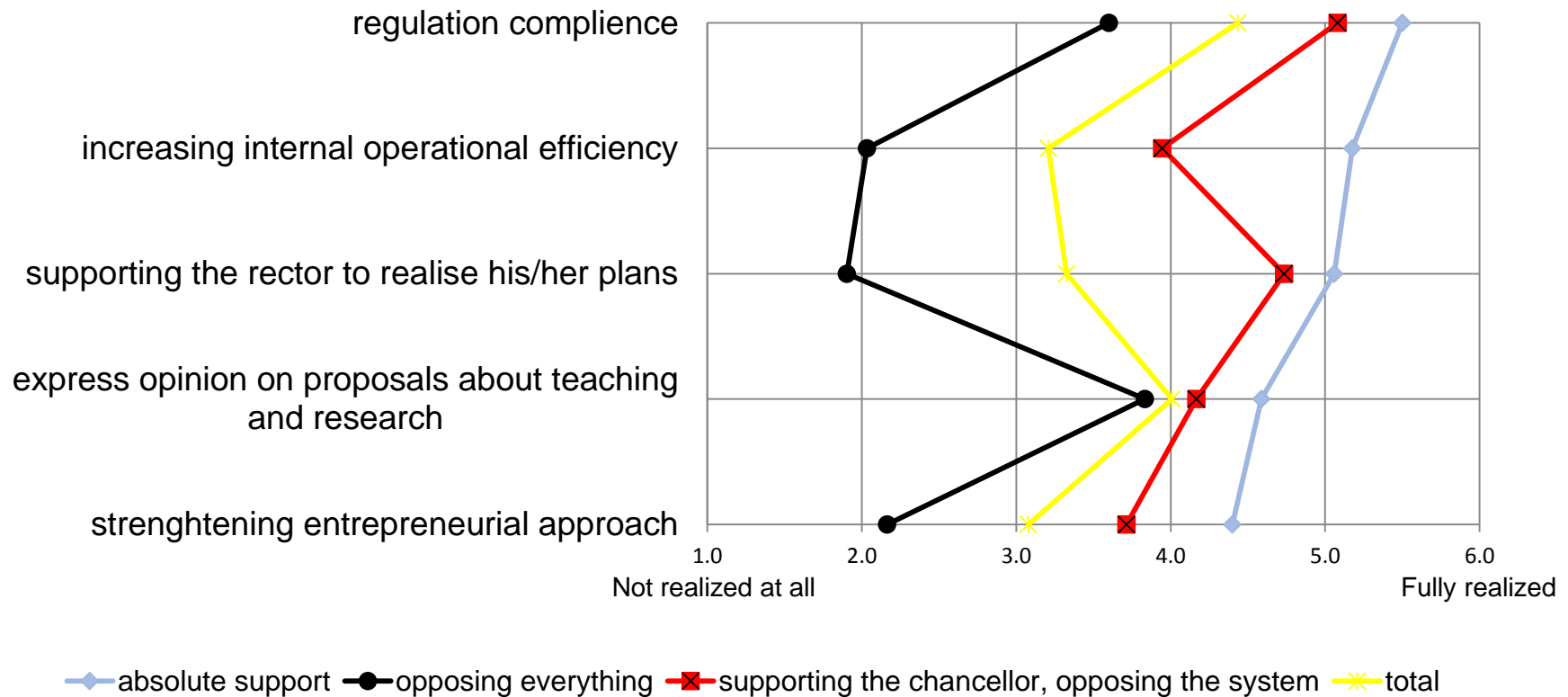
Perception of the realization of behaviours/roles: serving the institution



Source: Chancellor questionnaire 2016



Perception of the realization of behaviours/roles: serving the profession



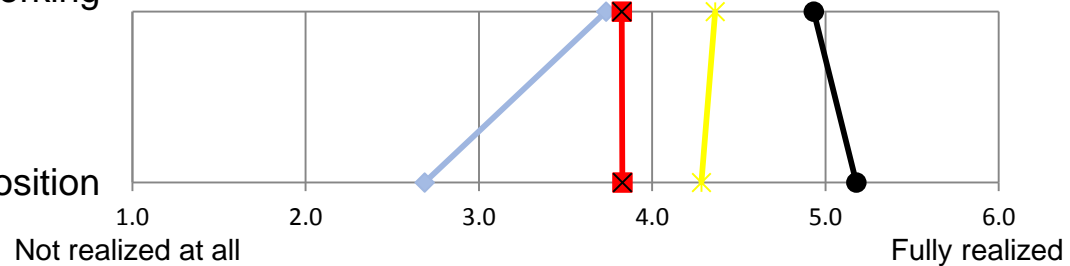
Source: Chancellor questionnaire 2016



Perception of the realization of behaviours/roles: serving to maintain power

providing high salary to people working
in HEIs administration

putting his/her own people into position



—♦— absolute support —●— opposing everything —✕— supporting the chancellor, opposing the system —*— total

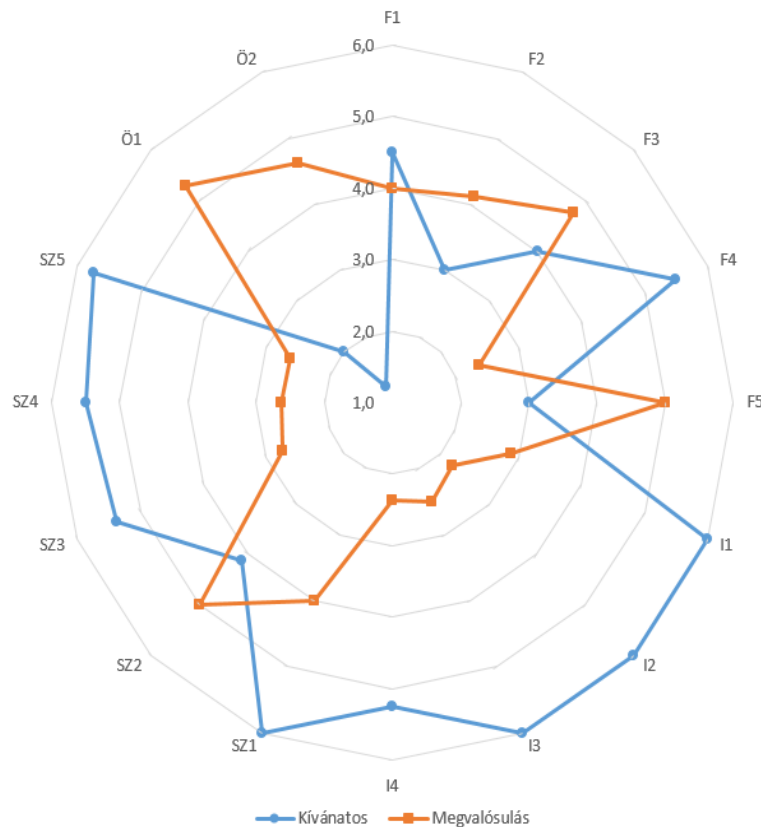
Source: Chancellor questionnaire 2016



Tentative conclusions

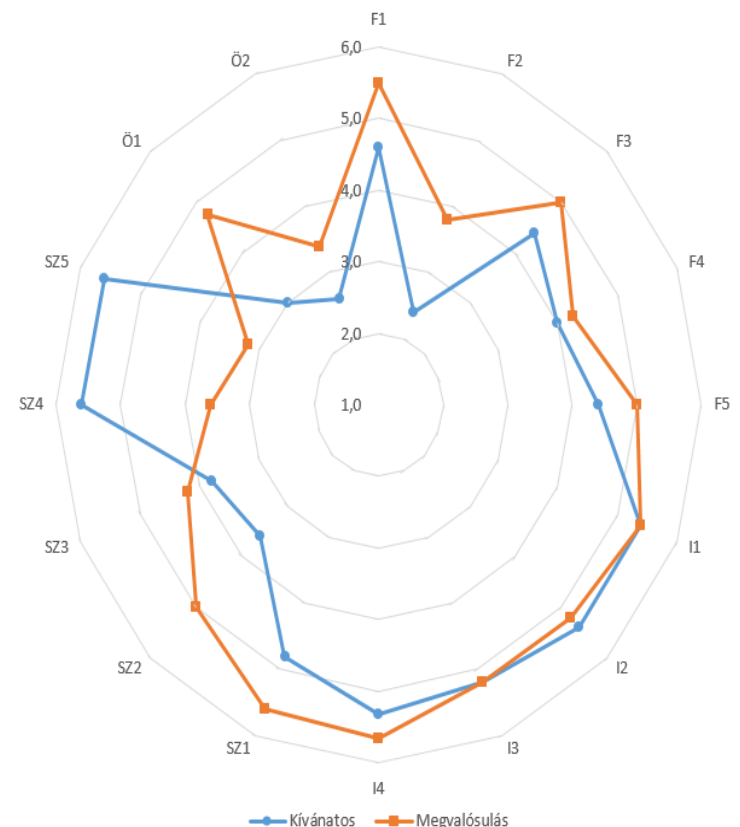
- In general there is a strong mistrust toward the chancellor system
- There is some mistrust towards the chancellors, except for some HEIs

Institutional differences: an illustration



Institution F

(8 respondents, 25% satisfied with the chancellor)

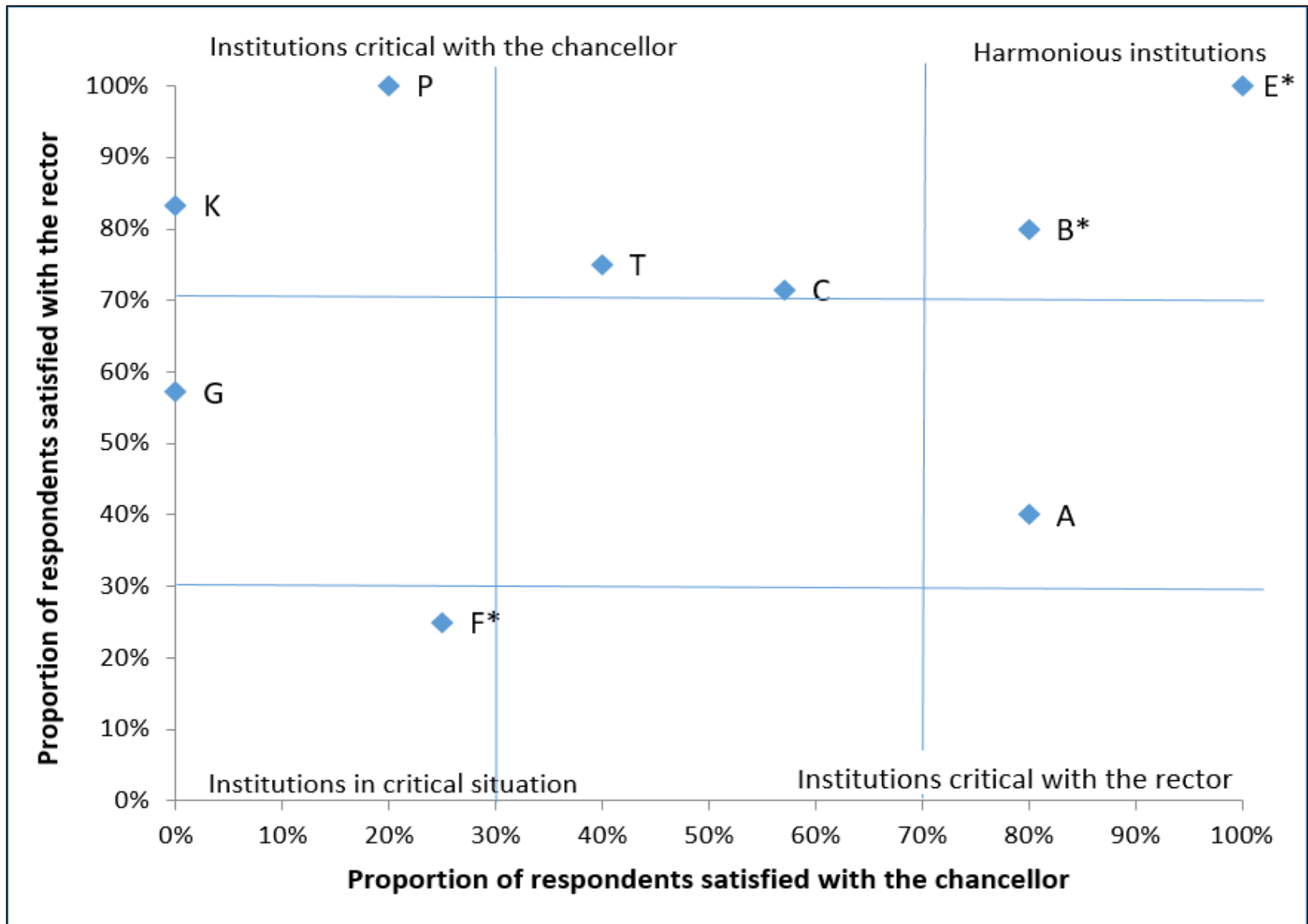


Institution B*

(5 respondents, 80% satisfied with the chancellor)

Source: Chancellor questionnaire 2016





Source: Chancellor questionnaire 2016

Tentative conclusions

- In general there is a strong mistrust toward the chancellor system
- There is some mistrust towards the chancellors, except for some HEIs
- The direction of causality is not obvious
 - Perceived lack of competence => mistrust
 - Mistrust => Perceived lack of competence
- Perhaps the mistrust towards the government is reflected in the results?

| | | To what extent do you trust the promises and statements of the leaders of the Ministry of Human Capacities? | | | | Total |
|--|--|---|-----------|-------------------|-----------|-------|
| | | No or rather no | Undecided | Yes or rather yes | No answer | |
| Satisfaction with the chancellor and the chancellor system | Absolute support | 24% | 6% | 65% | 6% | 100% |
| | Opposing everything | 86% | 5% | 10% | | 100% |
| | Supporting the chancellor, opposing the system | 43% | 14% | 41% | 3% | 100% |
| | Total | 60% | 7% | 31% | 2% | 100% |

Source: Chancellor questionnaire 2016



Tentative conclusions

- In general there is a strong mistrust toward the chancellor system
- There is some mistrust towards the chancellors, except for some HEIs
- The direction of causality is not obvious
 - Perceived lack of competence => mistrust
 - Mistrust => Perceived lack of competence
- Perhaps the mistrust towards the government is reflected in the results?
- Most chancellors have to overcome a mistrustful initial situation
- How to interpret „organizational trust” in a public organization?
- Boundaries of the organization?
- How to increase trust? How to treat risks and side effects?



Expansion, complexity, the development of
„industrial” higher education

The fault of the
management

Debt, irregularities



Management
incompetence, lack of
capability

Governance
problems



Direct maintainer's control

Realizing
maintainer's
interests



Increased embeddedness
into the the public
administration

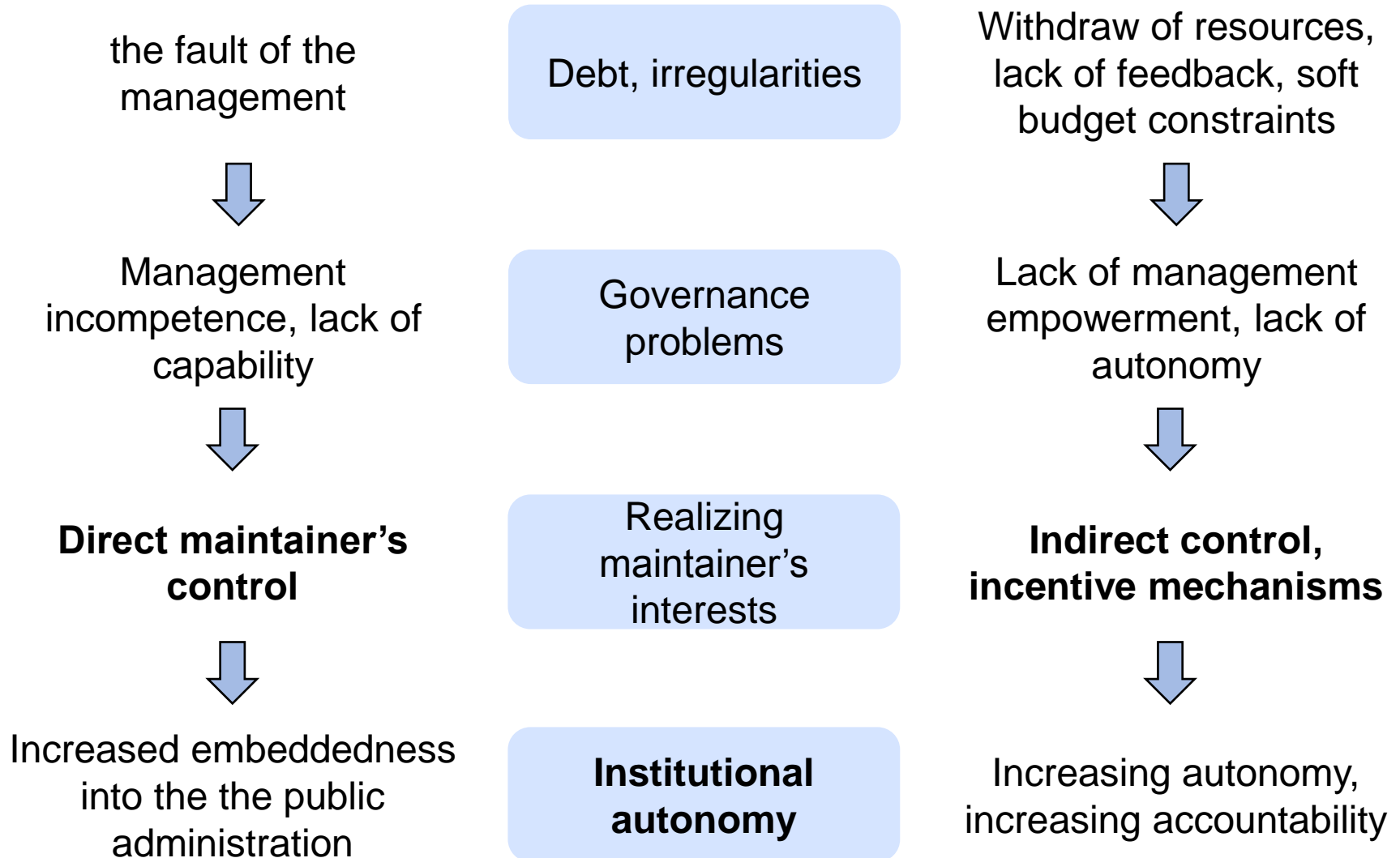
Institutional
autonomy



Changing status of chancellors in Germany

- „In contrast to the formerly widespread model of monocratic leadership, in which the formal status of the Kanzler was characterized by a somewhat ambivalent position working aside the rector, the leadership-team model now compulsory prescribes the administrative head as member of the university-leadership team.” (Blümel 2016:11)
- „Here, we depicted an agent [the Kanzler] formerly mediating between the university and the state but who was subsequently transformed into a functional member within an expanded university leadership.” (Blümel 2016:18)

Expansion, complexity, the development of „industrial” higher education



How to increase trust?

- Power
 - Involve institutions into the selection process
- Similarity
 - Involve institutions into the selection process
- Interest
 - Always address the whole organization, not the chancellor. Let the institution decide who deals with the request.
 - Always let them report together.
 - Evaluation criteria of chancellors should be visible
- Capability
 - Train chancellors. Train chancellors and rectors together.
- Situational security
 - Provide more generous funding
- Communication
 - Increase the richness of communication between the two executives, i.e. train chancellors and rectors together.



Thank you for your attention!

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Hungarian higher education in the EUA autonomy scorecard

| | 2010 | | 2016 | |
|----------------|-------|------------------|-------|------------------|
| | Score | Ranking position | Score | Ranking position |
| Organizational | 59% | 16/28 | 56% ↓ | 23/29 ↓ |
| Financial | 71% | 6/28 | 39% ↓ | 28/29 ↓ |
| Staffing | 66% | 17/28 | 50% ↓ | 22/29 ↓ |
| Academic | 47% | 24/28 | 58% ↑ | 16/29 ↑ |

Source: Estermann, Nokkala et al (2011), and
<http://www.university-autonomy.eu/countries/hungary/>

