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## Chapter 4

# National Funding of Higher Education from a Non-affirmative Perspective



Jussi Kivistö, Janne Elo, and Michael Uljens 

**Abstract** This chapter aims to demonstrate that the non-affirmative theory of education offers conceptual tools to analyse the tension between universities' autonomy and accountability. The autonomy of universities becomes affirmative in character when it is geared towards finding the most functional and efficient ways of reaching externally defined performance targets and thereby to implicitly affirm the norms, values and standards that the performance targets rest upon. At the same time societal accountability measures make visible what is hidden or concealed: governmental objectives in higher education and the instrumental emphasis of universities in attaining those objectives. This exemplifies that the second regulative principle of the non-affirmative theory of education always is tied to the first: the governance of education is always linked with the current idea of the role of education in society at large. The non-affirmative theory of education provides us with a view that makes this relative autonomy visible. The chapter argues that the key aspect for universities and their stakeholders today is to find an appropriate balance between instrumental and institutional approaches, accountability and autonomy as well as affirmative and non-affirmative orientations.

**Keywords** Governance · Autonomy · Accountability · University funding · Non-affirmative theory

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## Introduction

The nature, mission and meaning of a university represent the most important dilemmas on which all reforms aiming to revise or develop the “idea” of a university are grounded. However, the implications of these dilemmas for how universities are governed are often less clear. For this reason, American higher education management scholar Robert Birnbaum (2004, p. 8) wisely pointed out that “the essential debate [on university governance] may not reflect differences about how a university should be *governed*, but rather conflicting ideologies and differences in belief about what a university should *be*”.

From a historical vantage point, there have been two competing views on the nature and mission of the university. First, a university can be seen as *an institution* that possesses a “relatively enduring collection of rules and organised practices, embedded in structures of meaning and resources that are relatively invariant in the face of turnover of individuals and relatively resilient to the idiosyncratic preferences and expectations of individuals and changing external circumstances” (Olsen, 2007, p. 27). From this perspective, the existence of universities as organically developed, self-directed organisations that have intrinsic value cannot be measured by their immediate and measurable effects or value to society. Consequently, in this view, universities are not sub-ordinate in regard to external interests but rather autonomous or even super-ordinate in that they have autonomy to contribute to society according to their own interests and agenda.

Second, the university can be seen as *an instrument* for achieving predetermined objectives and interests of external stakeholders, whether these are the state or other public authorities, markets or communities. Then, the question is whether the university can be organised and governed to achieve the objectives and interests of stakeholders. From this perspective, universities are measured against the instrumental value they are able to create for their stakeholders as an exchange of resources they receive (Olsen, 2007).

While both options are mutually exclusive, we argue that the non-affirmative position can provide a third option that is able to bridge both previous positions by providing a language for elaborating the degree and nature of higher education institutions’ (HEI) space for autonomous non-affirmative action.

## Universities and Higher Education: Non-affirmative Institutions or Affirmative Instruments?

As discussed in more detail in Chap. 1, the first regulative principle of the NAT focuses on the dynamics between higher education and other societal fields of practice (politics, economy, culture, religion). NAT reminds us that in a democratic society, this dynamic relationship is non-hierarchical, denoting that different fields of society are always reciprocally influencing each other without one being totally

sub- or superordinated to the other. To accept that education is partially subordinate to external interests means that education has always had a societal task and a functional reason for its existence. This task and reason have varied over the years, from serving the church to an emphasis on nation-state-building, with expectations for economic utility currently emphasised. In other words, to a certain extent, education has always been an instrument for something external to itself. At the same time, however, reminding us of the modern university's critical task, education simultaneously has been reserved as a space for autonomous and self-determined action. This space for autonomous initiatives relates both to the freedom of research and to the educative tasks of universities. Universities require large degrees of freedom to educate critically reflecting subjects and citizens who are able to contribute to reforming existing practices.

Education is thus always *simultaneously* sub- and superordinate to other fields of society. The principle of the non-hierarchical relationship between societal fields captures this dynamic by asking, not *if*, but *how*, other societal fields exert their expectations on universities. What degrees of freedom are reserved for the university? It is this continuous negotiation between education, politics, religion, economy, culture, etc. that shapes the prevailing idea of what the university sector should *be*. From the vantage point of the concept of *recognition*, the question is therefore not *whether* universities are recognised but rather *as what* they are recognised, in what way and by whom. To recognise someone is always to recognise them *as something*.

When connecting the question of how universities are governed to the more fundamental question of what universities should be and what they are recognised as, Birnbaum (2004), in our reading, points towards the connection between the first and second regulative principles of NAT. While the first principle claims that the role of education in society is constantly negotiated in the dynamic relations between different fields of society in a non-hierarchical dialogue, the second principle points out that various forms of governance and leadership initiatives, on several levels, transform or mediate the task and societal goals for universities into educational practice. In other words, as the question of *how* universities are governed is always related to the question of *what* universities are perceived to be, the second regulative principle of NAT (how societal interests are transformed into educational aims) is always dependent on the first (how the dynamic between societal practices operates in society). Depending on the vantage point and the ideologies and interests embedded, the question of what universities or education should be more broadly will be answered differently. Our point of departure is that the role of (higher) education in a democratic society and in a dynamic culture and economy is one of the key questions that educational theory is capable of providing tools to elaborate on.

The concepts of affirmative and non-affirmative summons or influences are of key importance. The feature of affirmative influences is that they come with expectations to be accepted and implemented. Affirmative influences have an impact on how expectations are enacted. It is typical for affirmative influences to define higher education as an instrument for reaching goals external to education or research. Affirmative influences circumscribe the autonomy of higher education, viewing education as clearly subordinate to external interests. *Non-affirmative* influences,

on the other hand, rest on a view of humans as fundamentally dependent on, yet still indeterminately influenced by, external influences. Non-affirmative influences therefore do not present a predefined goal or ideal to be reached or policy to be implemented in a linear fashion, but instead reserve space for elaborating on and interpreting the influence. As an education theory, the non-affirmative position is emancipatory by liberating the subject from pre-existing practices but with the aim of supporting the development of the individual's own analytical and decision-making capacity or capacity for self-determination. This is crucial for teachers, researchers and students at the university. Then, understanding the governance or leadership of the university cannot overlook what kind of institution a university is. Studying universities historically, it is undisputable that they have had different roles, from serving the church, state or market. As universities educate both for a contemporary society we know, but at the same time for a future that we do not know, the university, as an educative institution, indeed recognises various societal interests but cannot affirm them uncritically. Instead, external influences become an object of reflection for both teaching at and the leadership of universities. The role of higher education (HE) leadership, then, is to take external as well as internal influences and positions into account and make a judgement regarding an appropriate line of action, given the cultural, historical and organisational circumstances, instead of merely implementing specific external expectations. Leadership is thus seen as having a mediating role between external and internal influences, recognising them all but maintaining relative autonomy to affirm them.

From the perspective of non-affirmative education theory, the depicted institutional (non-affirmative) and instrumental (affirmative) approaches should not be understood as a binary question of either–or, but rather as a continuum of different degrees and forms of how institutional and instrumental aspects of university are manifested in time and place. Universities always have a societal task and are thus always “instruments” for reaching some form of societal goals, but simultaneously modern universities in democratic societies, in viewing the future as something dependent on contemporary activity, always operate as autonomous actors influencing society in a broad variety of ways. Therefore, analysing in what ways and to what extent contemporary universities affirm or do not affirm influences (summons or expectations) at different levels in a multilevel networked system is a question that addresses the institutional and instrumental characteristics of universities. The NAT argues that the relationship between education and other societal practices is open, constantly forming in the interrelations of summons between societal fields and actors. Asking to what degree these summons create space for autonomous non-affirmative action for universities and how they utilise or enact this space thus provides answers to the question of the degree of instrumental expectations placed on universities, simultaneously acknowledging that different HE institutions may recognise, affirm and respond to these summons in different ways. The societal role of universities in general and the role of individual HE institutions are thus constantly in the making through a relational dialogue.

## Accountability, Autonomy and Funding

Institutional (non-affirmative) and instrumental (affirmative) approaches translate to and correspond with the distinction between the accountability and autonomy of universities. As previously argued, the question of accountability has always been important in the Western higher education tradition. Throughout history, universities have had collaborative, regulative or other relationships with external stakeholders such as the Church, the nation-state and local and regional administrations that have been grounded on some form of accountability. In other words, universities have always been subjected to demands or summons from various societal actors, with expectations of some degree of affirmation. In contemporary Western societies, this accountability is very much connected to universities' need to be responsible for the money they spend, outputs they produce and outcomes they achieve (Huisman, 2018). As a concept, accountability, however, is multifaceted and ambiguous, allowing for a wide range of differing interpretations. In any case, the most essential questions for accountability are: Who is to be held accountable, for what, to whom and through what means? (Huisman & Currie, 2004; Kivistö et al., 2019; Trow, 1996). High degrees of accountability correspond with high expectations of affirmative enactment of external interests.

When operating with policy-based evidence, *accountability* indicates a relational principle that attaches certain expectations of one party to the actions and performance of another, thereby making the performing party responsible for providing evidence of its actions. Fundamentally, the logic behind accountability policy builds upon the idea of *mistrust* between parties—the employer requires evidence to discourage fraud and manipulation on the performer's side. The performer, in turn, mistrusts employers trying to maximise output to the lowest possible cost. Thus, besides strengthening the legitimacy of institutions, much of the discussion on accountability gears towards economic or financial aspects in the form of “return of investment”. In addition, in the context of higher education, discussion on accountability is often paired with discussion on efficiency, effectiveness and performance. In this sense, the process of verifying accountability calls for proving, by effective means, that higher education has attained predetermined results and performance (Kivistö et al., 2019). Accountability-based governance thus reflects affirmative summons on the stakeholder's side, as HE is expected to live up to predefined expectations and criteria. A policy of accountability, for example, towards the state, relies on the premise that state policies are in a superordinate position to the HE institutions, and the HEIs are expected to affirm the expectations directed at them.

But what are the reasons for strengthening accountability demands, and from where does the interest in using different types of accountability mechanisms emanate? A widely supported interpretation is that accountability mechanisms reflect politico-administrative distrust in universities. This distrust is based on the belief that universities need external interventions and incentives to push them to operate in a way that best satisfies the societal expectations directed at them.

Universities are thus recognised as irresponsible and unable to identify and define their own goals and roles in society, thus requiring external affirmative guidance. At the same time, accountability-driven reforms may also reflect attempts to transform university cultures and values, thereby changing their actions. In these cases, reforms function as affirmative, transformative summons intended to push universities in pre- and externally defined directions. As Western European countries increasingly develop into knowledge-based economies, research and development work in HE institutions also plays a renewed, pragmatic and instrumental role in the economy. As discussed by Normand et al. in Chap. 8 of this volume, managerialism also produces new identities among academics.

In many European countries, strengthened demands for accountability have paradoxically gone hand in hand with reforms aiming to increase the level of institutional autonomy of universities. However, the paradox evaporates when recognising the shift from decision-making autonomy regarding aims to decision-making autonomy regarding methods. In other words, a traditional notion of autonomy refers to academic self-governance (control of academics in all university matters concerning students, staff, standards and degrees, curricula and research management) and academic freedom (freedom of academics to conduct teaching and research in order to pursue truth wherever it seems to lead without fear of punishment or termination of employment) (Ashby & Anderson, 1966; Berdahl, 1990; Maassen et al., 2017). However, more recent studies have more explicitly addressed the tensions between enhanced formal autonomy and the actual possibilities of universities to use autonomy vis à vis the state's control focus and demands for accountability (Maassen et al., 2017).

This is paradoxical in the sense that increases in autonomy are often directed to increase the regulative capacity of institutions and individuals (academic freedom), thereby making interferences and regulative control by external actors more difficult. Institutions universally desire to uphold their rights and capacities for self-governance and exempt themselves from excessive interference from the government and other external entities. However, accountability in all its forms implies outside interference, and the intensification of accountability is often at odds, at least to some extent, with different aspects of institutional autonomy (Huisman, 2018; Kai, 2009; Kivistö et al., 2019).

One explanation for this paradox is that political interest in increased institutional autonomy is often legitimised by the argument that increased autonomy will stimulate intra-organisational engagement, creativity and adaptability to local characteristics, which again will boost organisational efficiency and effectiveness (Aghion et al., 2010; Verhoest et al., 2004). This is further explained by the belief that enhanced institutional autonomy, especially the authority of institutions to manage themselves (professionalisation of managers), will have positive effects on issues such as institutional strategic behaviour and profiling, system diversity, the socio-economic responsiveness and relevance of universities and the quality of the university's primary processes of teaching and research (Goedegebuure et al., 1994; Maassen et al., 2017). Indeed, the idea of formal institutional autonomy in higher education research has moved from mainly denoting community self-

governance and an emphasis on academic freedom to denoting the organisational autonomy of the university as a more unitary and strategic actor (Krücken & Meier, 2006). Thus, the locus of autonomy has shifted from individual academics to university managers and leaders. This emphasises the importance of recognising that autonomy should be viewed as a multi-level concept. Increased autonomy at one level in an organisation may well result in restricted autonomy at another. In the current situation, the increase in the institutional autonomy of HEIs is therefore instrumental in the sense that it is given for the purpose of increasing the institutional capacity to fulfil accountability demands. HEIs are thus “autonomous” to recognise and affirmatively enact the demands communicated through accountability mechanisms. This instrumental institutional autonomy may very well result in, for example, tighter strategic leadership and managerial control leading to a restriction of “academic freedom” and autonomy at the faculty, programme or teacher or researcher levels. At all levels, autonomy is thus restricted mainly to deciding how to live up to demands defined elsewhere; autonomy has become affirmative.

When accountability and autonomy are understood in this way, the question of how public funding is allocated to HEIs becomes important, as it has implications for both autonomy and accountability. In principle, the overall architecture of funding HEIs in most countries is based on three typical pillars: basic funding (pillar 1), performance-based funding (pillar 2) and innovation- or profile-oriented funding (pillar 3) (Ziegele, 2013). The main characteristics of basic funding can be described as follows: it is often the most substantial pillar in terms of funding volume; it takes into account the size of HEIs by adjusting the allocation aspects like student numbers, staff numbers or the size of the previous year’s budget. The main objective of basic funding is to offer stable, predictable and reliable financing that covers the main part of HEIs’ operational costs resulting from their core tasks of teaching and research.

In contrast, performance-based funding (pillar 2) can be defined as an allocation mechanism in which the amount of funding is tied to the achievements of HEIs as reflected by performance indicators (e.g. Jongbloed & Vossensteyn, 2001). Most of the performance indicators applied to teaching and research are output- or outcome-based indicators measuring either progress to or completion of final outputs (e.g. study credits, number of degrees awarded, publications, competitive research funding awarded, citations, patents, amount of competitive or external research funding and student satisfaction). The substance of the indicators may also be ratios, percentages or other quantitative values mixing input and output elements (e.g. staff-student ratio, employment ratio of graduates, retention rates, number or percentage of students completing a fixed amount of credits per academic semester or year, graduation rates and graduation time) (e.g. Kivistö & Kohtamäki, 2016).

The third typical pillar of funding models, innovation- or profile-oriented funding, underscores the intentions expected to be carried out in the future. In concrete terms, this type of funding is utilised under the label of “targeted or earmarked funding”, “competitive funding”, “strategic funding”, “excellence initiatives”, to name but a few. Regardless of the name, all these funding instruments aim to finance and incentivise innovations, research (or sometimes teaching) excellence



**Table 4.1** Three funding pillars

	Main objectives	Justification for funding	Nature and mission
<i>Pillar 1: Basic funding</i>	Stability and predictability.	For what HEIs are.	HEIs as institutions.
<i>Pillar 2: Performance-based funding</i>	Productivity and efficiency.	For what HEIs have done.	HEIs as instruments.
<i>Pillar 3: Innovation- or profile-oriented funding</i>	Change and development.	For what HEIs promise to do.	HEIs as instruments.

or the development of institutional profiles in advance (Arnhold et al., 2017; Ziegele, 2013). Innovation-or profile-oriented funding can take many forms, such as funding that is allocated on a competitive basis (i.e. via funding calls) or a non-competitive basis directly allocated to HEIs (e.g. as funds to support strategic profiles of HEIs).

It is important to note that the crucial distinction between these three pillars lies in their main objectives, main justification for funding and how the nature and mission of HEIs is primarily recognised (see Table 4.1).

A strong emphasis in pillar 1's "basic funding" recognises HEIs as responsible autonomous actors capable of independently setting goals, defining their societal task and fulfilling this. Thus, the allocation of funds is not associated with affirming any externally defined interests. A stronger emphasis in pillar 2's "performance-based funding" recognises HEIs as instruments for reaching externally defined targets in need of incentives in order to be productive and efficient. From a pillar 2 perspective, HEIs are thus recognised as less responsible and less capable of autonomous action (as defined by the public funding body), and universities are forced to affirm the expectations and values that lie behind the performance criteria that are applied. Similarly, the use of pillar 3's "innovation- or profile-oriented funding" stresses the need to offer incentives for future change and development and as such suggests that HEIs are less capable of doing so unless funds are provided.

Performance-based funding is used to increase institutional awareness of targeted policy objectives and to ensure accountability and affirmative action in accomplishing those objectives. When discussing institutional (non-affirmative) and instrumental (affirmative) approaches in the context of autonomy and accountability, the most interesting pillar is performance-based funding. The principal rationale for introducing performance-driven practices is to improve institutional productivity. This is grounded in an implicit belief that performance-based funding will incentivise institutions by using their institutional autonomy to improve or maintain their level of performance in exchange for higher revenue (Dougherty & Reddy, 2011). In other words, autonomy is limited to the question of deciding *in what way* (the method, how) to affirm predefined performance targets and the interests and values that they are founded on. It is not a matter of autonomously deciding on which and what kinds of targets (the aims, what) are worth pursuing in the first place. Institutional autonomy coupled with accountability to performance indicators are thus central elements in how societal interests are transformed into

educational practice in a contemporary HE context—in other words, a contemporary example of how the second regulative principle of NAT can emerge and operate. By reformulating incentives so that institutions are rewarded or punished primarily according to actual performance, performance orientation looks to stimulate a shift in institutional management towards greater efficiency (cf. Kivistö & Kohtamäki, 2016; Rutherford & Rabovsky, 2014).

Performance-based funding is expected to reduce potential or actual goal conflicts by aligning the strategic priorities of universities with the policy goals of the state or government and therefore offer more straightforward incentives for productive behaviour. In other words, performance-based funding is a mechanism for affirmative policy summons. By reformulating the incentives in such a way that universities are rewarded or punished primarily based on actual performance in relation to predefined criteria, performance-based funding seeks to stimulate shifts in institutional behaviour that are expected to result in a greater level of efficiency (Kivistö & Kohtamäki, 2016; Rutherford & Rabovsky, 2014). It is worth pointing out that efficiency in performance is not a goal-, value- or policy-neutral concept. Efficiency is always evaluated against a predefined standard. The seemingly neutral contemporary strive for efficiency is simultaneously a call to affirm the explicit or implicit standards against which this efficiency is measured and reflects that universities are recognised primarily as producers of services, research and exams. Efficiency and performance are mainly quantitative concepts. This mode of recognition is at odds with a traditional notion of universities being primarily responsible for striving for “the truth” and the good of humanity, mainly qualitative concepts. Thus, the question of what universities are is always embedded in how they are governed.

## **Finnish University System: Changes in Balancing Autonomy and Accountability—The Universities Act 2009–10**

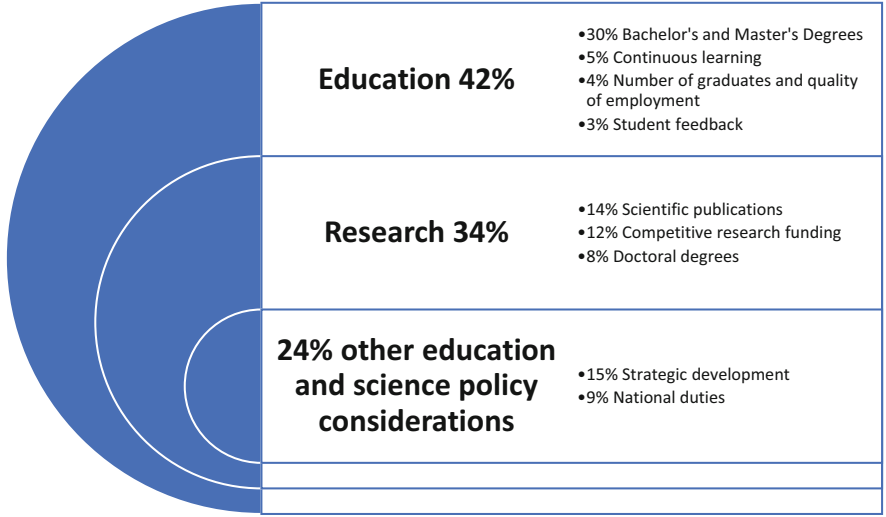
The university system in Finland comprises 13 universities (with 155,000 students), of which 11 are public entities (corporations under public law) and two are private entities (foundations). The overall configuration of the university system in Finland can be described as having the following characteristics: a flat prestige hierarchy, a wide geographical or regional dispersion and a limited emphasis on specific institutional profiles (10 out of 13 are comprehensive, multidisciplinary universities) (cf. Melin et al., 2015). The university sector in Finland is governed (or “steered”) by the Ministry of Education and Culture (MoEC), principally through three policy instruments: (1) legislation (regulation), (2) allocation of funding (economic means) and by offering policy recommendations, evaluations and guidelines (information).

National legislation, the Universities Act, which was completely reformed in 2009–2010, has a strong regulatory impact on the Finnish university sector. This legislation determines many of the sector’s essential features, including the number of universities, universities’ missions and tasks, governance and administrative

structures and bodies and regulations related to studies, studying and academic staff. Most importantly, the legislation determines the degree-granting rights of universities and the names and structure of the degrees. Viewed as summons, legislation is naturally affirmative in character; non-compliance is not an option. The ministry also uses steering by information, where MoEC “soft law” mechanisms, which are not legally binding but rather persuasive tools such as policy recommendations, guidelines, statements and university-specific feedback and development suggestions. These play an important role because university non-compliance may in some cases have direct or indirect implications, resulting in more binding and coercive policy instruments. Therefore, summoning by soft law is, on the one hand, less affirmative in character than legislation, and universities have a larger scope of action in recognising and relating to these summons. On the other hand, not recognising and affirming these summons altogether is not an option, as this would result in more affirmative interventions.

The MoEC and universities agree on 4-year performance agreements, which are a kind of hybrid of economic and information policy tools. Performance agreements set common objectives for the higher education system, key measures for each higher education institution, the tasks, profile, core areas and newly emerging scientific fields in each higher education institution, degree objectives as well as the appropriations allocated on the basis of these. The agreements also specify how the outcomes of the objectives will be reported (MoEC, 2022).

The Finnish MoEC currently applies one of the most performance-driven university funding models in Europe. The current model is the fruit of a long historical trajectory of continuous development towards stronger performance orientation (Fig. 4.1).



**Fig. 4.1** University funding model 2021–2024 (MoEC, 2022)

The model rests on a funding formula split mainly between education (42%) and research (34%). Both parts are performance-based because they are composed nearly exclusively of output-related criteria. Master's degrees make up 19% of the overall model, with funding capped to an agreed target; bachelor's degrees account for 11% of the funding. For degree numbers, coefficients are applied that take into account the cost differences in the educational fields and reward faster graduation times. Other indicators for education include graduate employment and tracking, student feedback and continuous learning (MoEC, 2022).

The research component is made up of doctoral degrees (8% of the entire model), scientific publications (14%) and competitive research funding, distinguishing between international and national or corporate funding (12%). The remaining portion of the financing for universities (24%) is allocated on the basis of university strategies, which are formulated together between the ministry and each institution. Additionally, the national tasks and duties of the universities are taken into consideration in central government funding for universities. The "strategic development" component of the funding (equal to 15% of the block grant) has two parts; the first one relates to institutional strategy implementation, while the second one is linked to "national education and science policy aims", giving the government additional steering power. In 2021–22, the government's goals with this part of the funding were to subsidise the costs of an increasing number of students and strengthen international networks (MoEC, 2022).

The level of appropriate government involvement in the management and governance of universities and the balance between public accountability and institutional autonomy have been topical issues in Finnish higher education policy since the early reforms of a stronger performance orientation in the 1990s. Finland has a strong tradition of being a Nordic welfare state, which also influences the relationship between the state and universities. Currently, Finnish universities enjoy relatively high levels of organisational, academic and staffing autonomy compared to other European countries (Bennetot-Privot & Estermann, 2017). This is highlighted by the fact that the autonomous status of universities is guaranteed at the level of the Constitution, which is uncommon in many other European countries (see Hallberg et al., 2021).

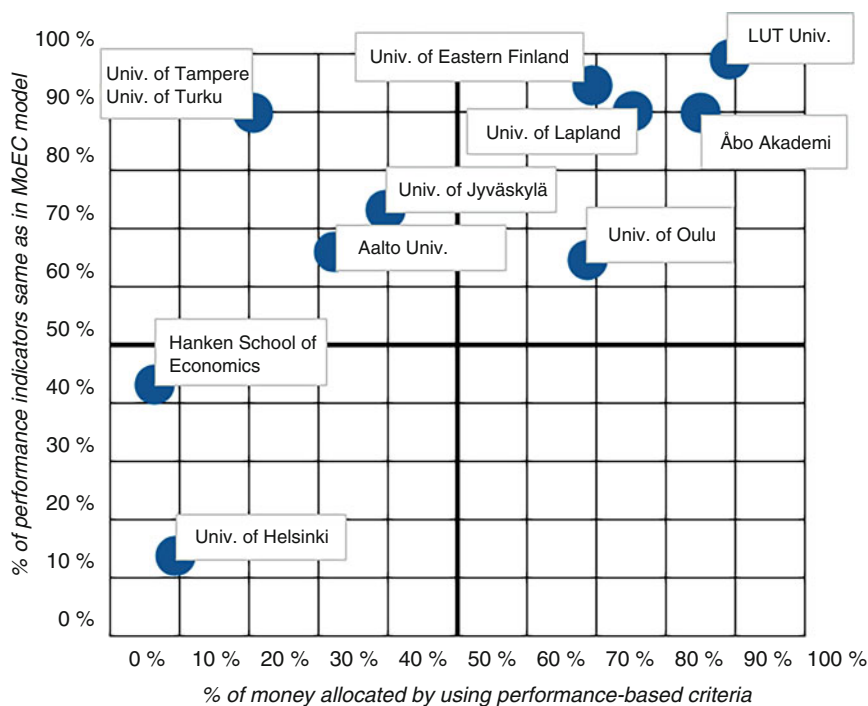
However, as described above, much of this institutional autonomy is de facto constrained by a heavy resource dependency on MoEC funding and the incentives this funding sets for universities. The Finnish higher education system is one of the most publicly funded systems among EU and OECD countries; in 2017, 92% of all expenditures on higher education institutions came from public sources (EU23 average 73%; OECD average 67%) (OECD, 2020). Of this, the share of the MoEC's core funding, allocated via a performance-based funding formula, is approximately 60%, making it the dominant source of universities' revenue.

From an international perspective, the Finnish funding model is quite exceptional due to its heavy reliance on pillar 2 type performance-based funding. Unlike many other European countries, where pillar 1 funds represent the largest component in allocating public funds (often 60–80%), the Finnish model allocates 76% of the core funding with performance-related criteria. Given a recent comparative study, only

Sweden, Denmark, Belgian Flanders, Slovakia and Bulgaria allocate a higher share than 60% by using a performance-based formula, and with 85%, only Denmark allocates more than Finland (ICF-CHEPS, 2021).

However, it is important to note that Finnish universities have responded very differently in terms of how they forward the performance incentives of the MoEC funding model in their internal funding models (budgeting). At one extreme, some Finnish universities (e.g. LUT-university, Åbo Akademi, University of Lapland and University of Eastern Finland) have chosen a model in which the performance criteria and weighting of the MoEC model are followed very closely. On the other hand, at other extremes, the University of Helsinki and Hanken School of Economics apply internal funding models that do not have much resemblance to the MoEC model. Universities like the University of Tampere, University of Turku and Aalto University have selected internal funding models that try to balance the MoEC model incentivisation by selecting mostly the same indicators as in the MoEC model but offering less weighting in allocations. The models of the University of Oulu and the University of Jyväskylä fall somewhere between the previously described models.

As seen in Fig. 4.2, these differences show that universities naturally recognise the MoEC's funding model but that some universities are more affirmative than



**Fig. 4.2** Internal funding models of Finnish universities in the context of the MoEC funding model. (Source: Kivistö et al., 2021)

others, at least when it comes to internally incorporating the MoEC's performance-based funding incentives. However, it also shows that universities can use their autonomy to design different types of internal funding models that can insulate or disconnect system-level incentives from internal ones.

In conclusion, Finnish universities operate under the tensions between their financial autonomy (they can, among other things, spend and accumulate their wealth quite freely and design their own internal funding models), financial dependence from the state and political-administrative governance, which is to a large extent channelled through the performance-based funding model (Christensen, 2011; Kohtamäki, 2020). Even though the central aim of Finnish higher education policy (as promoted by the MoEC) has been to encourage greater institutional strategic capacity and capability and to improve institutional distinctiveness and profiling, it is still to be determined how to balance pressure for efficiency and system-level governance by increasing the capacity of individual institutions (Kivistö & Kohtamäki, 2022; Melin et al., 2015).

As the description above shows, the financial steering models of Finnish universities have continuously developed towards relying on more and more affirmative summons through a focus on the performance standards set by the MoEC. As previously pointed out, standards of performance always rely on the policies, values and ideals they are founded on, thus reflecting an underlying assumption of what a university is or should be. Accountability and autonomy are relational concepts, as a university is always accountable or autonomous in relation to someone or something else, for instance, the state or a funding body. The concepts of recognition, summoning and non-affirmative action can thus aid us in conceptualising and elaborating on the relations in which accountability and autonomy are formed and acted out on and between the different levels of HE leadership and governance.

## Impact of State Accountability on University Autonomy

Empirical studies focusing on the impact of accountability measures on the sphere of institutional autonomy remain inconclusive, both in Europe and in Finland. This is to a large extent due to the precise meaning of and definitions that are given for "accountability" and "autonomy". In general, as a point of reference, the European University Association's regularly updated ranking list of university autonomy known as the "Autonomy Scorecard" provides an analysis of the different dimensions of university autonomy in European countries. According to Estermann (2017), while earlier assessments showed developments towards more autonomy in Europe, there is currently no distinguishable uniform trend of university autonomy in Europe. In addition to challenges related to academic freedom (e.g. in Hungary), constraints of autonomy continue to be affected by stronger accountability measures and governmental micromanagement. According to Estermann (ibid.), the challenging economic context in particular has had an impact on financial management, staffing matters and organisational aspects in several countries, but

also on the use of funding mechanisms (competitive and performance-based funding).

Kallio et al. (2020) recently described the tension between accountability and autonomy in the Finnish university system. According to them, the fact that the state expects universities to develop their strategies while strictly tied to public steering mechanisms (especially funding) makes setting institutions' own priorities and strategic management very difficult. In other words, steering mechanisms tend to force HEIs to affirm the targets and agendas that lie behind the steering mechanisms. The mechanisms thus become instruments for affirmative summons and the HEIs are not in practice recognised as autonomous. This interpretation is backed up by further evidence from several national-level studies and evaluations. In particular, in the national "Impact Evaluation of the Universities Act Reform", it was concluded that the funding scheme, its indicators and its weight in determining the levels of universities' funding were considered too detailed and constraining the universities' ability to set their goals. This assumption is further reinforced by the findings from the 2015 evaluation of the Finnish higher education system and the OECD's review of Finnish innovation policy in 2017 (Kallio et al., 2020; Melin et al., 2015; OECD, 2017). It thus appears as if the Finnish state, through these mechanisms, is currently primarily recognising HEIs as strategic instruments for reaching policy targets.

Studies and empirical evidence on the impacts of performance-based funding on the productive behaviour and performance of universities are relatively scarce in Europe and almost non-existent in Finland. Causally linking the increases in performance to funding has not been studied in detail, but it is fair to assume that the two are closely associated, given the available indirect research evidence. Dysfunctional impacts caused by performance-based funding have not been comprehensively studied, but there is a volume of anecdotal evidence supporting the idea that it has also triggered unethical behaviour when pursuing higher levels of individual and organisational performance.

Regarding empirical studies, there are, however, a few exceptions. Seuri and Vartiainen (2018) showed that universities indeed have increased outputs measured by performance indicators incorporated in the national funding model. However, their study did not discuss the extent to which this increase is an improvement of productivity (produced outputs per academic or administrative staff), nor did they provide any evidence on the causality between the incentivisation and performance increase. However, it is reasonable to suggest that universities have directed their activities along the performance indicators and that this productivity increase, at least partly, can be related to this redirection. Similarly, an empirical study of Mathies et al. (2020) suggested that performance-based funding incentives have likely affected publication patterns among Finnish academics. While not claiming that a causal relationship exists between the funding formula and the publication patterns, convergence was observed between the changes in the publication patterns and the priorities set by the publication-related performance indicator. The results at least suggest an indication of some influence of performance-based funding on publication patterns, especially in the fields of social sciences and humanities, by shifting the publication efforts from domestic to international research outlets, in line

with the incentives set. Empirical evidence thus suggests that universities appear to have affirmed the MoEC's summons for higher efficiency in quantitative outputs as well as affirming the summons for "desired academic behaviour" regarding publication patterns.

## Conclusions

As the discussion above reveals, strong resource dependencies accompanied by performance-based funding measures can jeopardise the autonomy of universities. Stricter financial controls encourage universities to construct hierarchies for more effective internal coordination of their actions. This takes place through the centralisation of duties and responsibilities and the strengthening of managerial roles, which direct action along the organisational strategy and profile (Bonaccorsi & Daraio, 2007; Seeber et al., 2015). Performance-driven rationality and means-end orientations will then be filtered down to the internal processes of universities, such as internal funding models (Kivistö et al., 2021). This development reduces universities' freedom to set their internal structures and processes along the means-end rationality. At the same time, it restricts their freedom in deciding on the goals they want to pursue (Berdahl, 1990). The autonomy of universities thus becomes affirmative in character, as it is geared towards finding the most functional and efficient ways of reaching externally defined performance targets and thereby to implicitly affirm the norms, values and standards that the performance targets rest upon. It also risks shifting the locus of autonomy away from the academic freedom of academic staff towards the strategic and economic leadership of management. Paradoxically, increased university autonomy coupled with accountability results in constrained academic autonomy.

Accountability measures in general, and performance management in particular, are valuable in the sense that they make visible that which is often hidden or concealed: namely, specific governmental objectives in higher education and the instrumental emphasis of universities in attaining those objectives. This exemplifies that the second regulative principle of the NAT is always tied to the first: the governance of education is always tied to the current idea of the role of education in society at large. At the same time, it should be remembered that the context of operation has also changed significantly over the years. Current universities cannot operate according to the principles and ideals of nineteenth century German idealism and Humboldtian principles. Massification of higher education challenges old principles of "elite" higher education, which were characterised by limited and selective access (< 15% of the relevant age group) based on a privilege of birth or talent, highly structured curricula, uninterrupted fulltime studies directly after secondary education and a small number of homogenous universities. The main function of elite higher education was to shape the mind and character of the ruling class and prepare them for elite societal roles, not to serve the nation and society as a whole (cf. Trow, 2006).



In contrast, mass higher education is characterised by larger access with meritocratic criteria (16–50% of the relevant age group), flexible curricula, direct or delayed entry after secondary education, comprehensive universities with diverse standards, democratic institutional governance with a broad representation of various stakeholders, connectedness between society and labour markets as well as interest groups and party programmes. In mass higher education, the function of universities is to prepare a much broader range of elites that includes the leading strata of all the technical and economic organisations of society (cf. Trow, 2006; Kivistö & Tirronen, 2012).

The key aspect for universities and their stakeholders today is to find an appropriate balance between instrumental and institutional approaches, accountability and autonomy as well as affirmative and non-affirmative orientations. In today's universities, this balancing is visible in tensions emanating from the shift from a collegial and democratic tradition to an accountability-oriented functionalist line organisation that separates performative responsibility from decision-making power. Seeking this balance needs, first, to take into account the evolution of Western universities, including their millennial history of organic development and their specific role and authority in shaping modern societies. At the same time, distinctiveness and traditionality need to be balanced with growing expectations and expenditures directed towards higher education and universities. This chapter demonstrated that the non-affirmative theory of education offers us conceptual tools to analyse the tension between universities' autonomy and accountability. Following a modern view of the non-teleological development of society, universities continue to educate for a future that is not known or knowable. As they aim at preparing their members, researchers, teachers and students to deal with problems that we are not yet aware of, universities must promote an education that leads learners through existing answers to the questions to which this knowledge provides an answer. It is through such a process that *Bildung* at universities includes learning beyond specific contents and reaching principled knowledge or theoretical understanding. In addition, such an approach develops the personalities of students and professionals. The non-affirmative theory of education provides us with a view that makes this relative autonomy visible. Universities cannot be reduced to instruments.

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