

Andrä Wolter

**Towards a New Model  
of Governance  
in German Higher Education**

***Contract Management and  
Performance Based Allocation***

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“Reform of Higher Education in Six Countries  
Public Higher Education under Pressure”**

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## **Impetus of the governance debate in German higher education policy**

- (1) Underfunding of higher education
- (2) Growing of the complete system
- (3) Low effectiveness of institutions
- (4) Weakness of the traditional academic self-government
- (5) Limits of proliferation of state control
- (6) General re-organization/ modernization of state institutions (NPM)

## **Elements of the New Steering Model in Higher Education**

- (1) Deregulation: From state to institution
- (2) More competition
- (3) High degree of autonomy in financial, organizational and personnel affairs
- (4) Decision-making by persons and not by committees
- (5) Quality and incentive oriented steering
- (6) Continuous evaluation and accreditation
- (7) Block grants with objectives and pre-set performances
- (8) Contracts with guidelines for targets and costs
- (9) Transparency by monitoring and full-cost accounting
- (10) Flexibility of employment conditions (e.g. payment)

# The New Steering Model in German Higher Education

## I. Contract management

- “*Hochschulpakte*”: statewide contracts between government and all higher education institutions
- “*Zielvereinbarungen*”: agreements between state government and a particular university
- “*Interne Zielvereinbarungen*”: target oriented agreements inside the university
- Establishment of a continuous *monitoring system*: procedures or agencies of accreditation and evaluation (quality management)

# **The New Steering Model in German Higher Education**

## **II. New procedures of funding and allocation**

- Enlargement of institutional autonomy by block grants
- Substitution of the discretionary-incrementalistic procedure by performance/formula based procedures of budgeting at state-institution level
- Establishing of performance and target oriented criteria and procedures of budgeting within the university
- Decentralization of budget responsibility
- Commercial bookkeeping and accounting

## **The New Steering Model**

### **- Basic ideas -**

- *Autonomy*: from directly, hierarchically state control  
to stronger institutional self-governance/ self-steering
- *Flexibility*: from dirigiste state control  
to steering by strategic objectives
- *Effectiveness*: from an ex-ante or input steering  
to an ex-post or output steering
- *Competition*: between universities, faculties, departments or individual scholars  
for budget, reputation and student demand

## **Implementation of Contract Management**

### **- The current state -**

- (1) In the meantime implemented in most German states
- (2) Differences in implementation between the states
- (3) Lack of obligation, asymmetrical relationship between the partners
- (4) Overlapping with overall budget cuts
- (5) Objective of planning reliability not realizable
- (6) Target agreements as top-down instruments
- (7) Shift in the authority structure: from the academic republic to the management university
- (8) Changing the identity of the university?

## **The Implementation of New Funding and Allocation Procedures**

- (1) Paradigm shift at state-institution level:  
from discretionary-incrementalistic procedure to performance based allocation
- (2) Implemented in nearly all German states, but differences between the states
- (3) Two ways of performance oriented budgeting:
  - by contracts and target agreements
  - by indicator or formula based allocation
- (4) The proportion of performance oriented allocation varies
- (5) Two categories of indicators:
  - indicators for demand based steering
  - indicators for success based steering
    - quality oriented
    - quantity oriented
- (6) Extending the new allocation procedures into the university



