WEAKNESSES OF THE MANAGEMENT SYSTEM
OF TRADITIONAL HUNGARIAN UNIVERSITIES

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Abstract:
Transformation of the management of traditional higher education institutions emerged in Hungary following the change of the political system in 1990, however, an appropriate answer has not been found to date. The first step in the management of reform is identification of the issues that need to be resolved through the implementation of changes. The present research has been aimed at identifying the present weaknesses of the inner management system of traditional Hungarian universities, thus find a solid starting point for reforming it. I conducted in-depth interviews in the course of research, with 10 top university managers who represent 9 institutions, thus the majority of traditional Hungarian universities. Such a research has not been made at least for the last decade.

In my paper first I present the current legal framework of the system of university management. Then I give an assessment of it on the basis of the interviews, analysing the deficiencies, the external and internal obstacles to efficient management. I conclude that the present leaders of the universities can exactly identify those deficiencies of the system and the related external and internal circumstances that lead to disturbed operation and low efficiency. The results obtained through the interviews suggest that a reform of the internal management should rearrange intra-university power relations and harmonize scopes of responsibility and competence. A shift toward a stronger central, rectoral and a more limited faculty- and body-related management appears necessary.

Key words: university management, traditional management vs. governance, higher education reform, efficiency, centralization-decentralization

Introduction
Transformation of the management of higher education (HE) in general, and that of higher education institutions (HEIs), in particular, has been on the agenda in Hungary for a long time now, and on a continuous basis. Actually, issues related to the role assumed by universities, the relationship between the state and the universities, and internal management of the institutions have recurred regularly since the foundation of the first university of the country, with more or less appropriate answers given throughout our history, depending on the prevailing circumstances. The efficiency of higher education has become a key factor from the point of view of competitiveness among various countries and also different regions as a result of a globalizing educational market, increasing competition, and the formation of knowledge-based societies. That is why the EU identified the modernization of the management of universities a priority, and states in West Europe have dedicated several decades to implementing the corresponding reforms, mostly on the basis of introducing a system of university government.
That issue also emerged in Hungary following the change of the political system, however, an appropriate answer has not been found to date. The law on higher education of 1993 (LHE) marked considerable progress in a number of areas, nevertheless, it failed to provide a solution to the problem of internal management of the universities, as required by the recent challenges that have to be faced. A number of theoreticians and experts in practical implementation agree that the traditional management system brought about at that time is incapable of efficiently operating institutions which admit masses of students, have numerous faculties, and annually utilize budgets of billions of HUF. In 2002, the educational ministry specified as one of its goals the transformation of the management of Hungarian universities on the basis of a governing system. However, the initial ideas underwent considerable changes and became distorted as a result of the resistance of the academic sphere, and, finally, even that less stringent concept failed to pass the constitutionality test.

Consequently, the only change that took place in the earlier system of internal management pursuant to the new law on higher education adopted and enacted in 2006 was related to the setting up of what was called "Economic Councils" (ECs). However, these bodies are authorized to provide consultation and opinion only, besides, some of their members come from internal, university staff. Thus it appears very unlikely that they will ever be able to bring about fundamental changes in either the management or the operation of the universities. Hence, the earlier question still remains, and now it comes up even more sharply: what and how one has to, or may, transform in the internal system of university management in order to make it more efficient and, as a result, have the institution operate more efficiently?

Since Hungary must face the above challenges in a more dramatic way owing to so-called congested development, the transformation of the management of universities appears more than timely. On the other hand, especially following the failure of a reform attempt, chances for a new initiative to succeed require more caution, attention, and a sound basis. What is at stake in case no change is made to the management of our traditional and famous universities playing a crucial role in Hungarian higher education is that, on the one hand, these institutions will fall behind in the international competition in the knowledge market, on the other hand, they will fail to become engines driving knowledge-based development and catching up of the country and the region.

Research objectives and methods

The first step in the management of reform is identification of the issues that need to be resolved through the implementation of changes. The present research has been aimed at identifying the present weaknesses of the inner management system of traditional Hungarian universities, thus find a solid starting point for reforming it.

I conducted in-depth interviews in the course of research, during which I talked with 10 top university managers, including 3 deans, 1 vice-rector, 1 college rector, and 5 university rectors. The managers interviewed represent 9 HEIs, 3 based in Budapest and 6 located in other parts of the country. To ensure comparability of the responses recorded, I resorted to the method of structured interview.
Research results

1. The current legal framework of the system of university management

The currently effective Act no. CXXXIX of 2005 on Higher Education identifies three principal actors playing different roles in the management of universities:
- the head of the HEI is the rector;
- the body making decisions and controlling the execution thereof is the senate;
- the organ taking part in the preparation of strategic decisions and in the controlling of the execution of such decisions is the economic council (EC) (Article no. 20).

Thus, a third actor, namely, the EC is added to the earlier two actors (the rector and the university council [UC]). However, the scope of decision-making and control has been retained by the body that has been transformed from the former UC, that is, the senate, while the new body, the EC, has been granted only rights authorizing it to formulate opinions, take part in decision preparation and in controlling the execution of such decisions.

The Rector

It is evident from the specification of the rector’s scope of liability (Article no. 29, Sections 1 through 6) that the person having sole liability for a university remains to be its rector. As preconditions for appointing a rector, the act prescribes experience in operational management, organization, and financial management. In principle, this regulation introduces a new and important criterion for the appointment of rectors, whereas it fails to specify the method of implementation, therefore the realization of the regulation in practice appears doubtful. The law still requires that the rector of a university be a university professor maintaining an employment or legal relation with the institution concerned; in other words, neither 'external' applicants nor associate professors may apply for a rector's position (Article 29, Section 7).

A rector (and also a vice-rector, a dean, a financial manager and a general secretary) may be appointed for a definite period of time ranging from 3 to 5 years. Also, a rector's (and also a vice-rector's and a dean's) commission may be extended on one occasion only, which means that the top leader of a university (and that of a faculty, as well) may hold the given position at most for 10 years, while his re-election on the second occasion is subject to a repeated election procedure. The senate elects candidate rectors by a majority of votes (Article 96, Sections 5 through 7). The rector is then appointed, upon a motion of the supervising ministry, by the President of the Republic of Hungary (Articles 100, 115, and Section 2 of Article 115). However, the supervising ministry may only reject forwarding the decision of the senate regarding the candidate rector to the President of the Republic of Hungary or the Prime Minister if the candidate fails to meet the prescribed criteria, or the senate has passed its decision contrary to the relevant legal provisions (Section 3 of Article 115). Hence, the ministry and the president of the state play but a formal role in appointing the rector, the decision is actually made exclusively by the senate.

The Senate

It is apparent from the list of tasks of the senate (Article 27, Section 1, 3-8) that this organ is entitled to pass decisions in all issues connected to the academic activity, the development, operation, financial management, and human resources management of the university. That is, while the rector assumes responsibility for nearly all issues related to the university, the senate enjoys a similarly wide decision-making competence. As regards the responsibility of the senate, the law sets
forth just one requirement: while making decisions, the senate must take into consideration the requirement of efficient and responsible use and appropriate utilization of public moneys and public assets, and adhere to the ad valorem principle (Article 27, Section 15).

Although the act determines that members are to be appointed to the senate on the basis of elections, it defines limits only as to their number and composition:
- a senate may not comprise fewer than seven or nine members;
- the members elected by instructors and researchers must constitute a majority of the members of a senate;
- the number of each of the members representing non-academic staff and those of the representative trade unions must not be lower than five percent, or at least one person each (Article 28, Section 1);
- the self-government of students may delegate members representing at least one-fourth and at most one-third of the overall members of the senate (Article 78, Section 4).

In other words, the act does not specify faculty-based representation and bodies comprising 30-40-50 members.

The students are entitled to the right of consent in issues pertaining to study and examination regulations, the rules of reimbursement and remuneration, and the procedure of providing student opinion on the instructors' work (Article 78, Section 1). That is, the students have a right of veto regarding the senate's decision in these matters, and the minimum student representation ratio of 25% grants a rather large share of votes in the senate.

**The Economic Council**

According to the act, the EC plays a consultant-proposer-participant role regarding the operation of the university (Article 23, Section 1), which it fulfils by providing its opinion in issues related to financial management and development (Article 25, Section 1). The EC has been assigned specific decision authorization exclusively in connection with the alienation or encumbrance of treasury assets maintained by the given HEI (Article 23, Section 1), with actual control restricted to financial management of the university (Article 25, Section 2). Thus, at present, the role of the EC is predominantly limited to protecting state assets and public moneys.

The act defines the composition of the EC in a straightforward manner:
- the number of members is 7 in case the number of students is below 15,000, and 9 members above that number;
- 3 or 4 members are appointed by the senate (1 member to be appointed by the students), and 2 or 3 members are appointed by the minister;
- the rector and the financial manager are members of the EC ex officio (Article 23, Sections 4 & 5).

That is, the university enjoys strong predominance in the EC: 5 members out of 7, or 7 members out of 9 members. The act specifies in detail issues related to incompatibility through exclusion of persons tied first of all to politics, the government or some other HEI (Article 23, Section 7).

### 2. Assessment of the current system of university management

The first step in the management of reform is identification of the issues that need to be resolved through the implementation of changes. That provides a basis for specifying the desired target state, the road leading to that state and the means to be applied, and the outcome of a change can be measured against these factors. For a university management reform to succeed, to attain results, and to attract support from university leaders in Hungary, it is vital to provide solutions
to actual problems perceived by the management of the university itself. In what follows, I will present the results attained during the in-depth interviews.

### 2.1. Deficiencies of the current internal system of university management

The HE managers interviewed assigned an average score of 2.9 to the current internal system of university management on a scale of 1 to 5. Neither of the scores was higher than 3.5, and several responders gave a satisfactory score (around 2) only (indicating thereby that all of them considered a need for a change justified).

It is worth noting that the majority (7) of the respondents considered the same element to be the most important deficiency of the current system: the contradictory relations between the scope of competence and responsibility, the decision-makers and the leaders, the rector and the deans, the university and the faculties.

- **the controversy between collective decision-making versus one-man liability**

As 3 of the rectors put it using almost identical words: the biggest problem lies in the fact that the decisions are made either by the senate or by the faculties and faculty leaders, whereas final responsibility and related risks are assumed by the rector who is at their mercy (in financial issues, this responsibility is shared with the financial manager). The major controversy in the current internal system of university management is between democratic, collective decision-making, on the one hand, and one-man liability, on the other.

- **university interests – faculty interests**

Importantly, two deans and a rector identified the discrepancy between faculty and university objectives as the major controversy in the current internal system of university management. They noted that a system of decision-making reflecting the philosophy where it is not the university that has faculties but the faculties have a university is unsuitable for realizing overall university objectives and represent all-university interests. The faculties are too powerful and capable of preventing strategically important measures through mainstreaming their partial interests. The given system considerably reduces the room left for manoeuvring for the university management, and forces deans in the senate into a „schizophrenic“ behaviour which compels them to take into consideration the not infrequently contradictory interests of their own faculty and those of the university at the same time. Another rector pointed out that the university is required to fulfil a large number of tasks centrally (administration, budget management, projects, regulations, etc). However, the management of the university is at the mercy of the faculties in this area as well. This may be illustrated by the obligation to accumulate remainder budgetary amounts at year-end, the responsibility for which is assigned by the ministry to the rector, whereas remainder amounts are to be created in faculty budgets/finances.

- **lack of real integration**

According to one of the rectors, real integration still has not been implemented (the earlier Soviet system of fragmented HE institutions was replaced by multi-faculty, integrated, regionally organized universities on January 01, 2000); faculty selfishness and lack of cooperation are manifest – albeit partly as a result of financial constraints –, thus parallel mechanisms and considerable economic irrationality have been preserved. The level of education and research is also affected owing to the fact that the students are taught not by those most suited for the task, and there is a lack of cooperation even between faculties carrying out research in identical scientific fields. As
a result, an optimum condition is not reached at the university level either financially, or professionally.

- carry-over of earlier power relations

A rector and a dean pointed out that management elections appear to reflect earlier power relations even today, in the eight year after the integration. In some institutions, the faculties that used to comprise one and the same institution are now large and powerful, capable of “appropriating” the rector’s position, the vice-rector positions and, hence, the management of the university. (The respondents also maintain the view that whereas the election of the rector is formally democratic, in fact, there are background bargains and, even worse, personal interconnections that determine the outcome; see later). The old and large faculties view the newcomers as competitors, and tend to reject initiatives proposed by such new faculties.

In addition to the above problems experienced by the majority of the respondents, the following deficiencies of the current system were noted by university leaders: lack of professional management; insufficient horizontal and vertical communication, as well as flow of information; slow rate of decision-making; over-regulation.

2.2. Obstacles to efficient management

a) external factors:

The series of in-depth interviews allows us to clearly conclude that Hungarian HEI managers experience very similar obstacles that hinder efficient management. There are a number of external factors mentioned by almost all respondents. (An external factor is one that is a part of the HE system of management, and is thus not under direct control of the university.)

The hindering factor most frequently referred to by top university managers (six leaders) has to do with the inability to perform long-term strategic planning and management in present-day Hungarian institutions. The external reason is associated with the frequent changes in legal regulations, first of all those of the LHE, although other „rules of the game” (for example, in the specification of admission score limits) having an ad-hoc, unpredictable character also have their negative impact. HEIs and their managers have no chance to get prepared for these changes, and as soon as they subsequently manage to adapt to a change, they are to face the next one in no time.

As far as financial opportunities are concerned, it should be noted that only one manager complained of the constantly decreasing amount of central funds as an obstacle to efficient management. On the other hand, six of the respondents complained about the unpredictability of financial opportunities. The fact that one can perform calculations regarding the expected funds for a period of maximum one year because the method and amount of financing constantly undergo changes, and budgetary limits are modified even during a year (accumulation of remainder amounts, freezing, changes in the financing of patient care, etc.), also makes strategic planning impossible and forces the institutions to manage funds on a day-to-day basis, as well as makes managers to apply improvised solutions.

A remarkable uniformity of opinions of the managers is noted also regarding the issues connected to HRM. Five of the institution leaders mentioned the public servant system as an external obstacle to more efficient management. On the one hand, the system prevents the institutions from "getting rid" of the low-performing instructors and other employees relatively easily, on the other hand, it does not allow them to recognize the output of those excelling in their work, not to mention the lack of available funds for that purpose.
Aside from the above problem noted by several respondents, one of the institutional managers complained about the lack of freedom in managing material assets more flexibly, one of them referred to an ever increasing and not always ethical competition among the HEIs, and another pointed out the lack of labour market indicators as an external obstacle to more efficient management.

b) internal factors:
Respondents appeared to provide largely similar opinions regarding the internal obstacles to more efficient management. (An internal factor is one that is integral to the internal system of university management and, as such, could be changed by the university itself.) 6 of the managers are mostly hindered in efficient management by the fact that the senate, the faculties, and even the community of instructors may, and actually do, preclude managerial initiatives that are contrary to their immediate interests. As a result, the managers are actually prevented from carrying out any reforms, structural reorganization, and, quite frequently, even simple, operative modification. The situation was evaluated similarly by the manager who complained that his institution was reluctant to „modernize itself“ and apply advanced methods in such areas as marketing, PR, communication, and HRM. The apparatus appears to lack both an intent and the required expertise to accomplish that.

Three managers identified as their most important problem the fact that they could not rely on their peer managers to the extent that would be desirable. In one case, this is due to the fact that it is impossible to take into consideration exclusively or predominantly professional and individual qualities when appointing vice-rectors. In fact, the old and large faculties insist that they provide the vice-rectors and, in some cases, they do even appoint particular persons for these positions. The same respondent also pointed out the contradiction that exists in terms of the rector’s dependence upon the deans with whom he is required to cooperate closely, whereas he has no word in electing a dean for one faculty or another. Another rector’s vice-rectors are appropriate from both a professional and a personal point of view, however, they cannot/do not want to dedicate the necessary time and effort required by the given assignment. The manager concerned thinks that a daily period of four hours is insufficient for a vice-rector to do his job, whereas his vice-rectors perform their work only as „fourth shift“ managers. A third rector found managerial experience missing from his peer managers.

A factor seen by the respondents as working against efficient management is related to complicated decision mechanisms which tend to force managers to make compromises on a continuous basis, on the one hand, and deprive them of their time and energy that should be spent on more important, strategic or operative tasks, on the other hand.

2.3. Experience gained so far in the area of operation of the ECs
The series of in-depth interviews clearly indicates a diversity of the assessments made by the various managers regarding the operation of the ECs to date. Four of the respondents have formulated a definitely positive opinion; they find ECs a useful, successfully operating entity. Four other managers, on the other hand, consider the existence of ECs unjustified, and they think they do not operate properly. Two of the respondents suppose that the EC as such operates well but, due to a lack of power, inefficiently. It is interesting to note that managers at different levels within one and the same institution tend to evaluate the operation of the ECs
differently. In general, however, rectors appear to evaluate ECs as a useful body, contrary to deans who find them useless.

The managers sharing a positive opinion of the ECs have pointed out the following aspects: the ECs come up with good ideas, ensure external control, approach university issues with due responsibility, represent an unbiased external opinion, and maintain a rationalistic approach. Those taking a clearly opposite position regarding the ECs maintain a contrary view: the members are unprepared, insufficiently trained, undedicated, formulate their opinions in an ad hoc manner, are affected by political considerations, while the members are too busy and have no time for such activities, and do not grasp or understand the operation of universities. As one of the rectors put it, external EC members come from the sphere of professional and personal acquaintances of the minister, and function at the university as supervisors delegated by the ministry. Those who find that the ECs operate well also note that they have no power to influence decisions. In their opinion, the ECS pass appropriate decisions in certain issues, however, they get rejected by the senate. This argument may, for example, be illustrated by rector elections at a university: the EC identified the best candidate on the basis of an objective system of scores, however, the senate chose someone else for a rector. These managers are also afraid that the respected experts comprising the ECs may withdraw from their position if they find that they are unable to influence the way things take shape at the universities and find themselves in a „neither money, nor fame” situation, and thus the ECs „become empty.”

Of course, those of the respondents who have formulated clearly positive opinions about the operation heretofore also support the idea of assigning a higher level of competence to the ECs than they enjoy today and transforming them as a part of the governing system of the university into managing authorities (MAs). The ECs would then be responsible for electing the rector, preparing the institutional budget, and passing decisions involving organizational restructuring. On the other hand, those of the respondents who have formulated an unfavourable opinion think a larger scope of competence of the ECs would have tragic, dangerous consequences. They argue that the election of members should be based on totally different grounds, providing that the ministry wants to create MAs with real authority. In such an event, members should be elected from a much wider scope of candidates, in an open way, through national or international application procedures, and on the basis of objective criteria and strict incompatibility rules so as to ensure that external members do not represent political interests or the interests of another institution. One of the managers argued that these tasks should be accomplished by external individuals who are demonstrably connected to the university in one way or another. Doubts regarding the ability of the governing system to function in Hungary were pointed out in this case as well, questioning whether there was a sufficient amount of persons in Hungary capable of filling the positions of university MAs.

2.4. Elements to be preserved from the existing system

It should be noted that hardly any of the responding university managers mentioned a principal or practical element of the current internal system of university management that should definitely be retained or left unchanged. Two of them definitely noted that „there are no taboos”. Among the elements to be preserved, the freedom of research and education (in other words,
academic autonomy), the decisions passed on the basis of collective wisdom in scientific issues, the independence from actual politics, taking the instructors’ opinion into consideration, and a certain degree of independence of the faculties and institutes were mentioned by the rest of the managers. The responses clearly indicated that the managers are fully aware of the limitations of autonomy; they consider the freedom of research and education worth preserving only on condition that autonomous research and education serve clearly identified objectives and follow well-defined strategic directions. Two of the rectors argued that academic freedom should not be taken to mean “Let a hundred flowers bloom, that is, let everyone do whatever he or she wants to”.

Consequences, recommendations
As a starting point for future reforms, actual dysfunctions of operation of the current system of management should be taken into consideration. The present leaders of the universities can exactly identify those deficiencies of the system and the related external and internal circumstances that lead to disturbed operation and low efficiency. The outcome and successful implementation of the reform essentially depend on whether these problems are resolved. If no remedy is provided for the diseases of the present system, then the reform will fail to meet its objective and to gain the support of its major actors — the managers.

The results obtained through in-depth interviews suggest that a reform of the internal management should rearrange intra-university power relations and harmonize scopes of responsibility and competence. A shift toward a stronger central, rectoral and a more limited faculty- and body-related management appears necessary.

Inclusion of external control in the operation of universities appears necessary regardless of a governing system. Doubts concerning the ECs (narrow scope of pool, risk of personal or political interconnections, lack of expertise or dedication, etc.) suggest that a body-based, technocratic solution should be preferred over a person-orientated one. A national body consisting, in part or in full, of members external to universities (the educational government, the business sphere, non-profit organizations) could be established (in a way similar most of all to American state-level boards), supplemented for each university by a representative of the local community on an individual basis. That body would provide preliminary opinion on the institution development plans of the universities, and subsequently evaluate the rate of completion of the tasks undertaken in the performance contracts. Through making its reports public, the body would promote real competition among the HEIs and serve as a basis for the division of the numbers of admissible students and also the resources based on performance. However, members to the body should be selected with extreme care and be prepared to fulfil their tasks through attending preparatory and adjustment programmes. That body could serve later on as a basis for setting up boards in different institutions.

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