



Strategic Funding (and the Role of Performance Agreements)

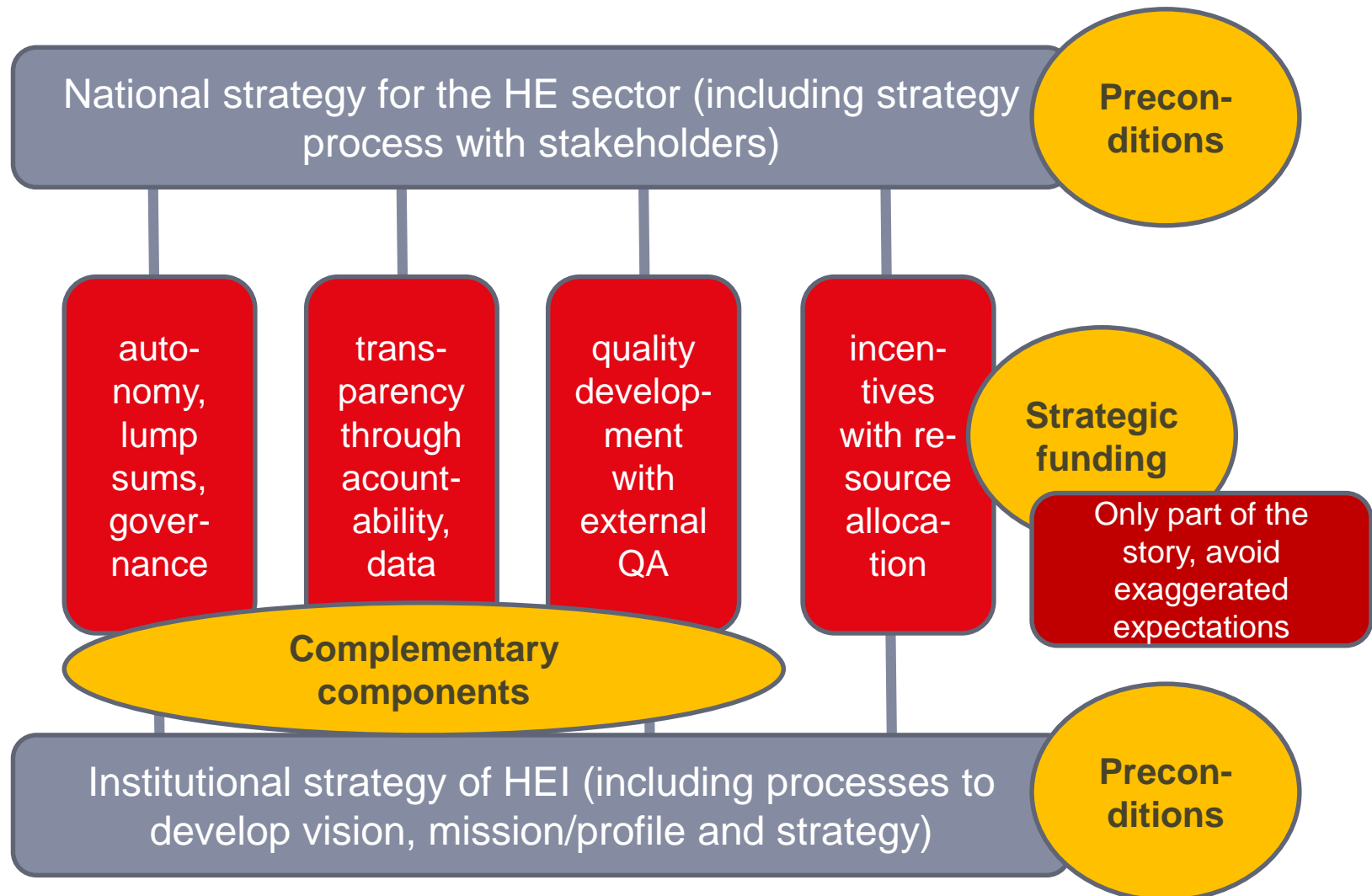
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Vilnius | October 2017

The basics of linking strategy and funding

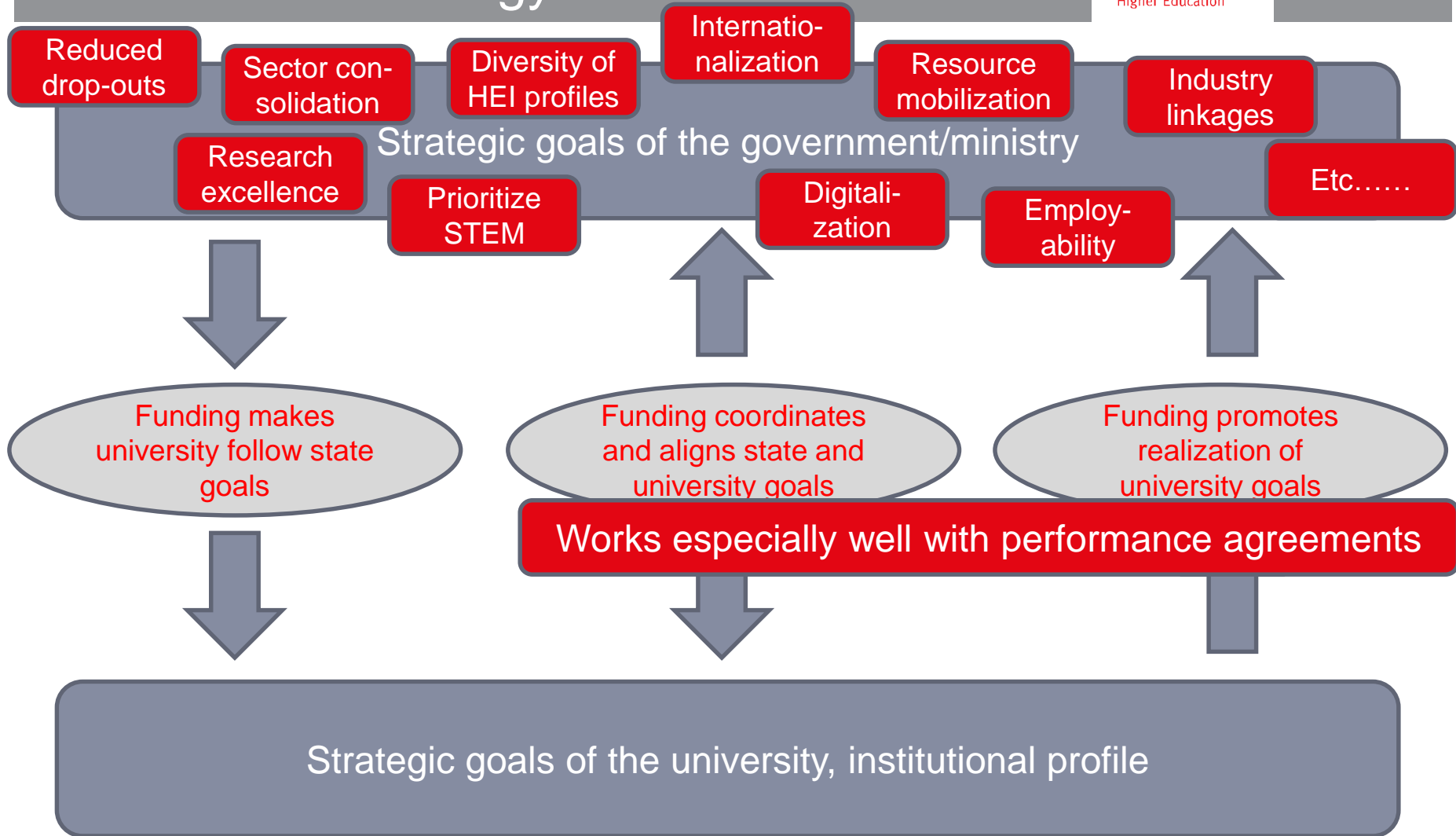
The choice of funding instruments

The role of performance agreements

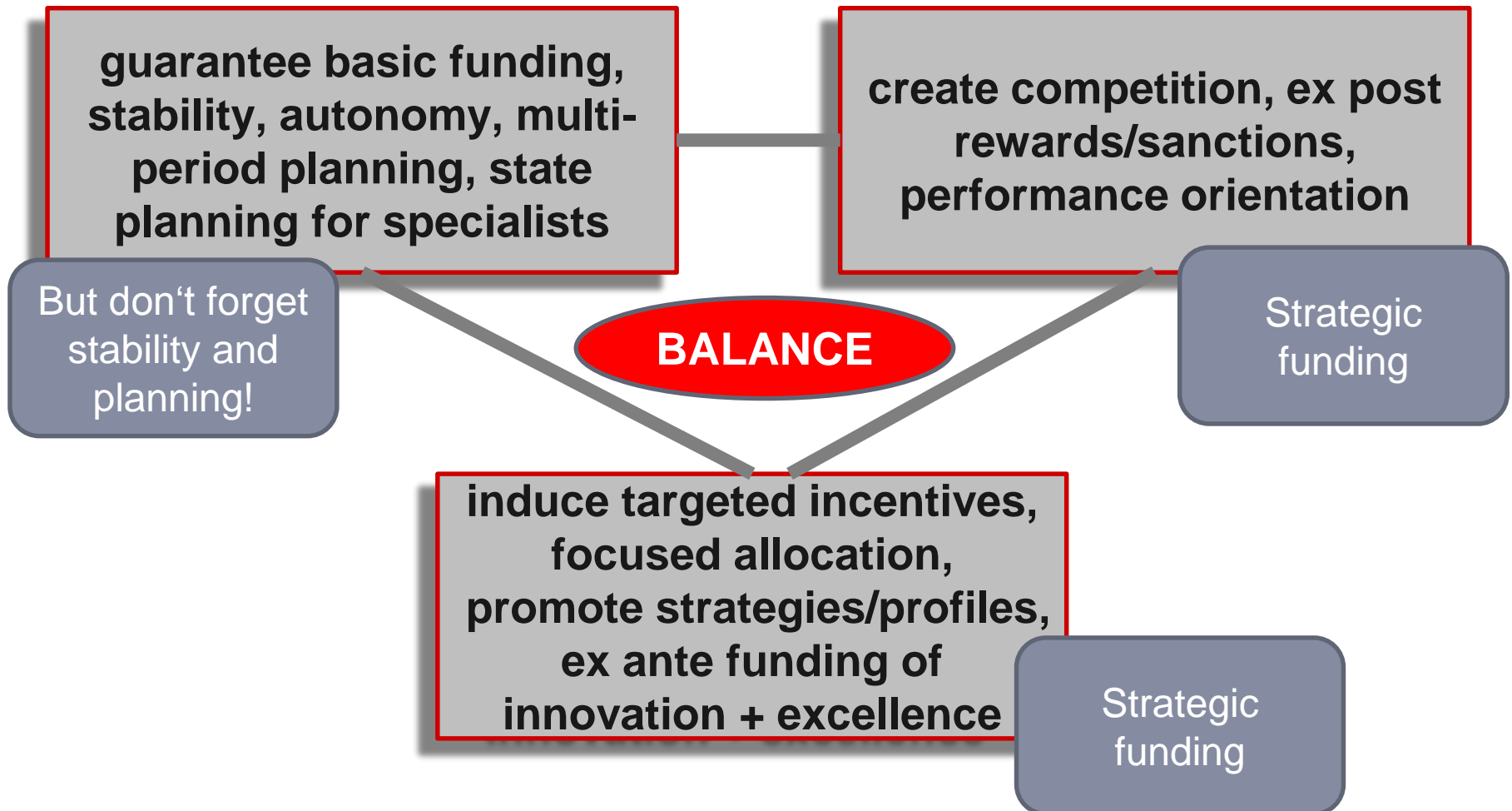
Modern steering approaches in the HE sector are based on strategies



Funding could coordinate state and institutional strategy

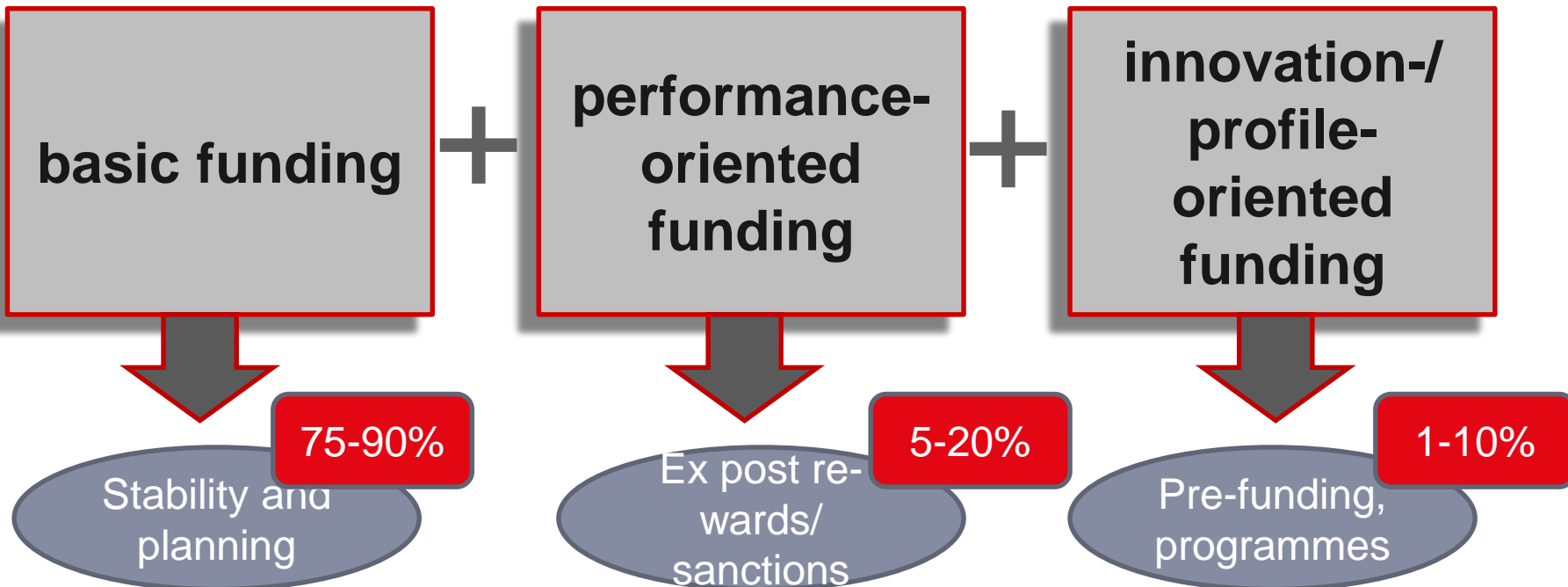


There are three major orientations of public funding models



„3-pillar-model“ is gaining in popularity, balancing the three orientations

the structure exists in many countries, but the weighting and specific features of the pillars differ



In many countries there is a shift from input to output orientation

This transition leads to a shift between the pillars, it's not either-or (state planning still possible)

Participation is important (organize what is decided top down and where bottom up input is needed)

Stepwise implementation (planned increase of impact on funding), pilots and announced evaluation help to ensure trust – but transparent schedule

Additional funding helps, but also zero-sum games could work (cutting of losses as a rule, invest „demographic dividend“ in performance-orientation)

Transparency of rationale, features and financial effects of new funding is important already in transition period

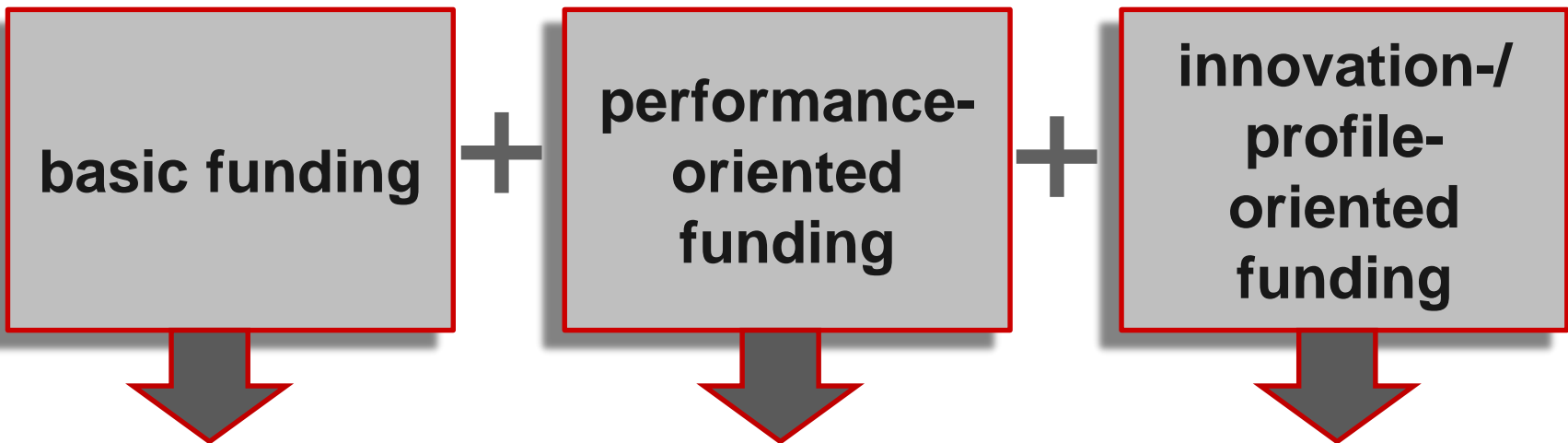
Important aspects of transition from input to more output/performance orientation

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The choice of funding instruments depends on the pillar



- historical funding
- input-oriented formula (e.g. study places)
- performance agreements
- vouchers

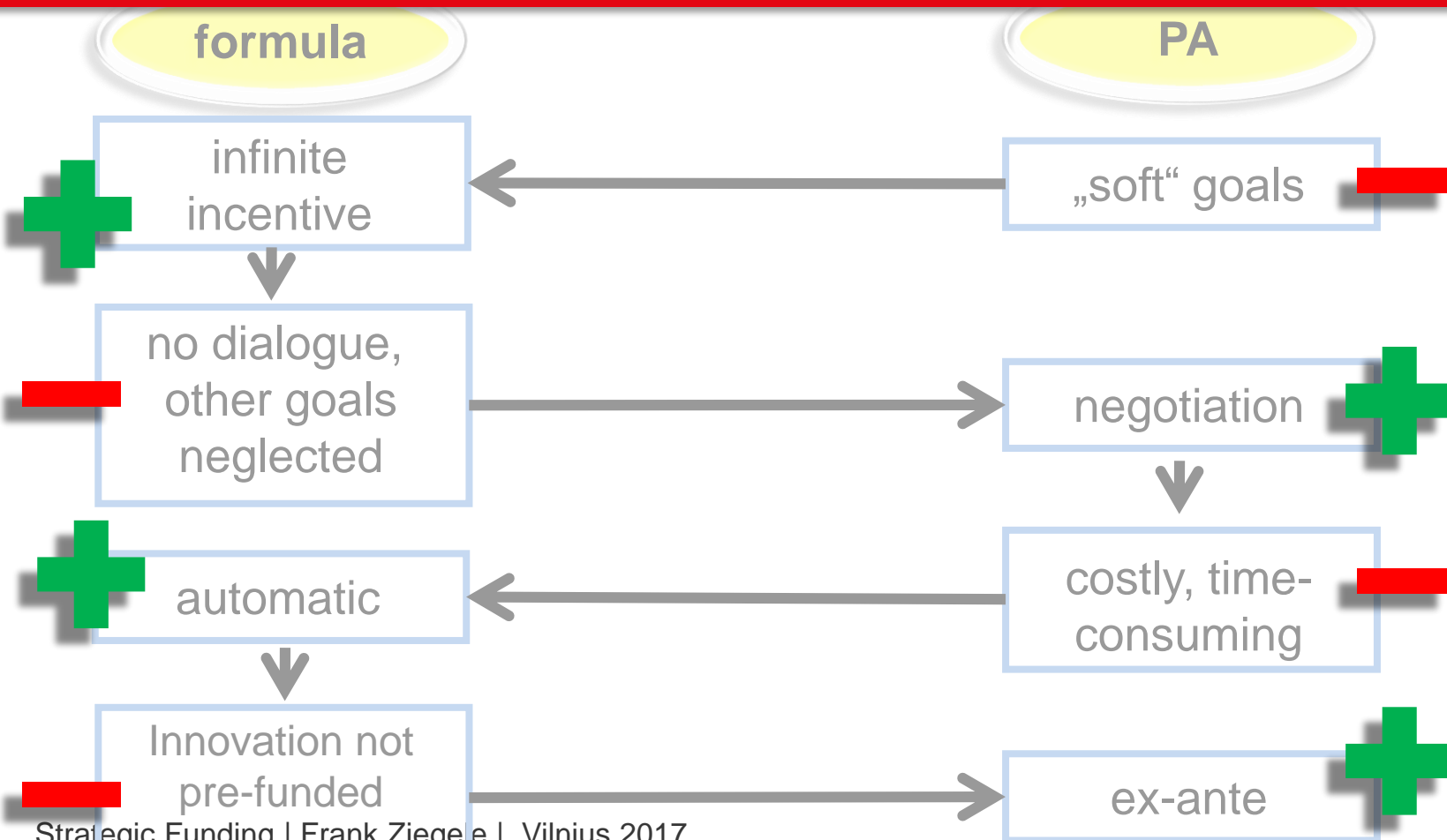
- output-, performance-oriented formula

- performance agreements
- competitive funds
- excellence schemes

Two options to link performance agreements to funding, clear concept needed, different design (e.g. mandatory or voluntary)

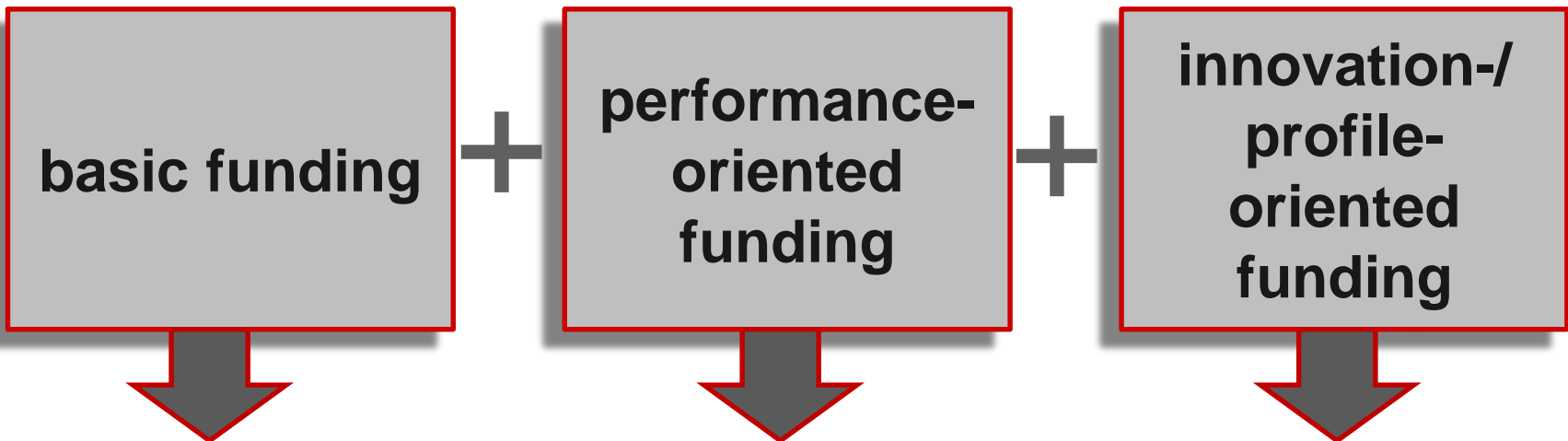
Formula and agreements are complementary, not alternative

Virtues of the instruments create a balance



A certain objective could be promoted with different pillars

Example: Government wants to promote internationalization



- if student numbers count: higher weight for international students to compensate for higher cost

- formula with incoming and outgoing students if there is a very clear national preference for student mobility

- performance agreements on internationalization to support specific promising initiatives within the full range of activities and diverse HEI profiles

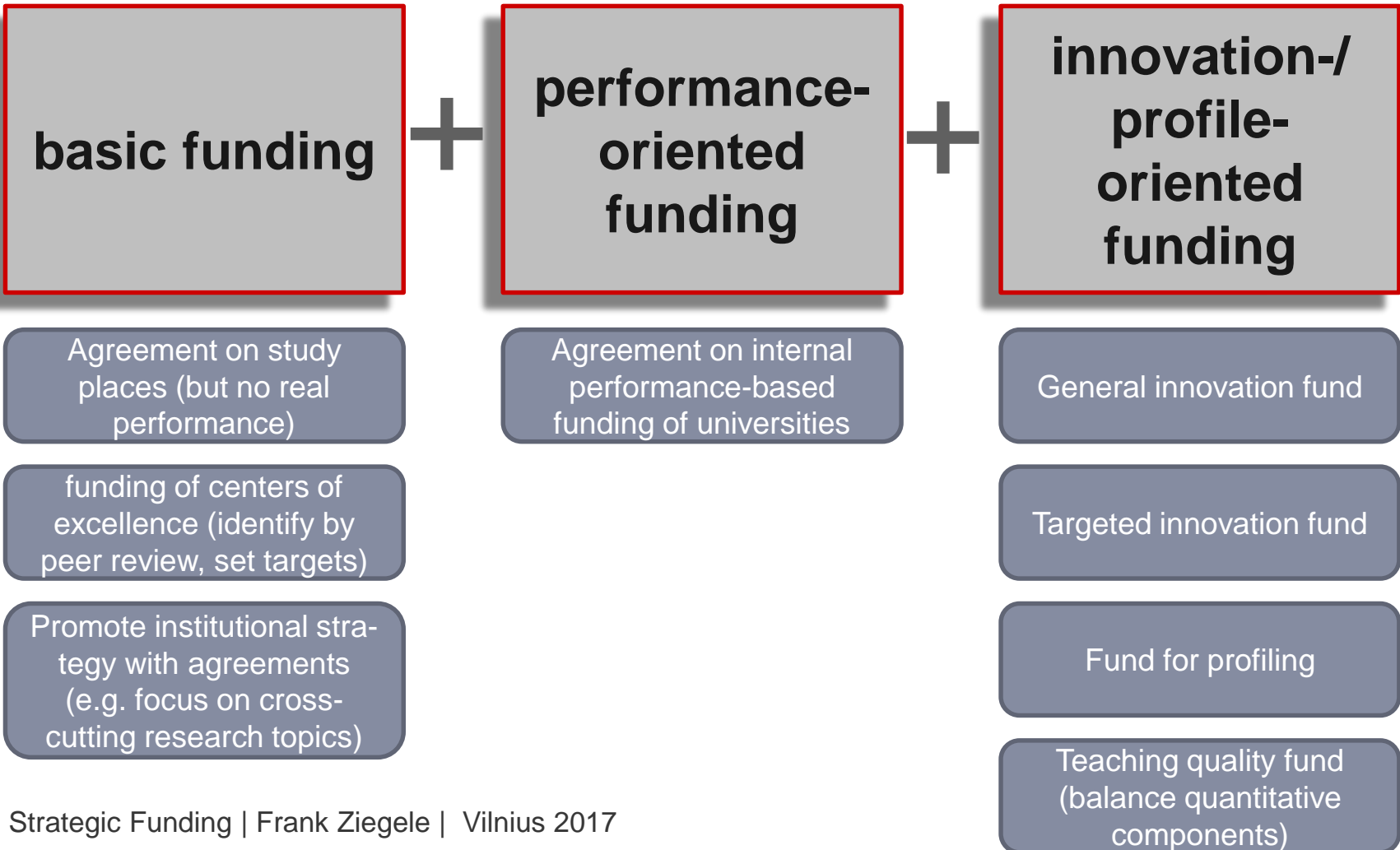
Model design: which objective should go where?

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Examples how performance agreements could be used in the 3-pillar-model



There are clear cases where performance agreements are the 1st choice

Agreements offer advantages over other instruments if the following situations or intentions prevail:

- Profiles of HEIs and objectives are diverse (agreements allow differentiation of performance measurement)
- Motivation of HEIs to build their profiles, define their targets, enhance institutional strategic steering capacities is needed
- Profiles should be measurable and transparent
- Pre-funding of good ideas for the future is intended
- Performance-enhancing projects with multi-year perspective have to be supported
- Preference for building trust and partnership, intensifying dialogue exists
- „Soft“ financial sanctions are intended

If you enter into a performance agreement process...

...you have to define standards for „good“ FA



...set „rules of the game“

...create
guidelines/
formats for the
documents

...plan and
manage the
process

...specify the
financial
mechanisms

...and base it on trust, climate of partnership

Several aspects turned out as success factors for implementation

Starting point: it could also go wrong!

- Invest in strategic thinking on both sides (output-orientation also means new role of the ministry)
- clear description of negotiation process with distribution of rights to bring inputs into negotiation (e.g. „ministry could never suggest activities“ – top down vs. bottom up)
- enough time for dialogue between partners, not only „paper shooting“, personal relation leads to trust, and symbolic aspects matter (e.g. venue for negotiation)
- clear schedule (limited time, but enough time for internal discussions in university)

Several aspects turned out as success factors for implementation

- reliability of process (surprises would reduce trust)
- allow flexibility during agreement period
- reporting duties also in between (but keep it simple and dialogue oriented), and evaluation of system after some time
- Deal with problem of losing acceptance in case of different ambitions

The basics of linking strategy and funding: strategic funding is a component of modern steering, links institutional and national strategy, leads to 3-pillar-model

The choice of funding instruments: Is related to the pillar, should take into account complementarity of performance agreements and formula

The role of performance agreements: There are various applications, certain advantages and success factors