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Reform of the higher education system in Poland from the perspective of agency theory

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ABSTRACT

Agency theory is a theoretical platform used primarily to describe processes related to corporate governance. However, the theory is also being used to describe the processes associated with the functioning of the higher education system. Contractual relationships in this sector make it possible to identify the institutions that may act as either principal or agent, depending on the research perspective. Relationships between the state/government (principal) and public universities (agents) are the most commonly studied paradigm.

The aim of this article is to present proposals for reform of the higher education system in Poland, using agency theory as the research perspective. The most important dysfunctionalities of the current system, viewed as a manifestation of the agency problem, are identified, and the proposed new standards of academic governance are confronted with theoretical mechanisms reducing conflicts of interest: outcome-based and behaviour-based contracts. The main recommendation contained in reform proposals is a desire to increase the institutional autonomy of public universities, leading to a strong leadership of the university authorities.

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1. Introduction

Agency theory refers to a contract in which one party, the principal, engages the other party, the agent, to provide services on the principal's behalf. If the preferences of the contracting parties are contradictory, and in addition, there is an asymmetry of information, this may lead to uncertainty about the implementation of the contract. Herein lies the concept of the 'agency problem'. The key issue is to describe the mechanisms which could bring the parties' preferences closer to each other and mitigate potential conflicts of interest. The Principal-Agent framework was a concept used primarily to describe and processes taking place in the context of corporate governance. However, the theory is also being used to describe the processes associated with the functioning of the higher education system. Contractual relationships in this sector make it possible to identify the institutions that may act as either principal or agent, depending on the research

perspective. Relationships between the state/government (principal) and public universities (agents) are the most commonly studied paradigm.

The aim of this article is to evaluate proposals for a new draft law (Act 2.0.) on higher education (HE) in Poland prepared by three teams selected by the Ministry of Science and Higher Education, using the research perspective contained in the agency theory. The aim of this article is to present proposals for reform of the higher education system in Poland, using agency theory as the research perspective. The most important dysfunctions of the current system, viewed as a manifestation of the agency problem, are identified, and the proposed new standards of academic governance are confronted with theoretical mechanisms reducing conflicts of interest: outcome-based and behaviour-based contracts.

The basis for the recommendations contained in all draft laws is to increase the institutional autonomy of public universities, both in relation to the state authorities as well as in relation to their internal academic units. Strong leadership of the university, motivated by the principal via the use of customized tools, primarily financial, combined with effective control of the processes within the university, are the prerequisites for achieving the goals of the Polish higher education sector.

2. The agency problem in the higher education sector: research perspectives

The key issue in the agency theory is the so-called ‘agency problem’, which can be defined as a contract whereby one party (the principal) engages the other party (the agent) to provide services on the principal’s behalf, which entails the delegation of some of the decision-making powers to the agent (Jensen and Meckling 1976). The agent receives remuneration for the duties performed and is expected to act in accordance with the interests of the principal (Eisenhardt 1989). If both sides of the contract strive to maximize their utilities, it is likely that the agent’s actions will not match the interests of the principal. This can lead to opportunistic behaviour on the part of the agent, who gives priority to his own utility over the interests of the principal. Resolving the agency problem requires choosing one of two options: outcome-based contracts and behaviour-based contracts. The first approach brings the agent’s and principals’ preferences closer together because the benefits to each party depend on the same type of action, which means the agent is more likely to behave in the interests of the principal. The second consists of a monitoring system which would keep the principal informed of the agent’s actions. If it is possible to monitor the agent’s behaviour effectively, this limits opportunistic actions on the part of the agent.

The agency problem can be used as a theoretical platform for describing processes related to the functioning of the higher education system. As in the case of contractual relationships in corporations, so too there are connections between the state and institutions of higher education defined by the concept of social contract. The essence of these contractual relationships in the traditional sense was their ‘unwritten and broadly specified gentlemen’s agreement, defining the roles and responsibilities of both parties’ (Gornitzka et al. 2004, 88). The evolution of these relationships consisted of their increasing formalization, with the specification of tasks, processes and expected results. In this context, contracts take the form of a comprehensive control mechanism which regulates all aspects of relationships between the state and HE institutions. The key issue is to

identify payment and supervisory structures which will motivate the agent to act according to the goals of the principal. Depending on the perspective, the same institutions can act as either a principal or agent (Liefner 2003, 477). The principal can be the ministry of higher education, a rector of a university or a dean of a faculty. The agents are those who receive assignments, funds, and salaries from the principal. Therefore a rector simultaneously is an agent for the ministry, and principal for a dean.

The most general perspective emphasizes the problem of financing universities from public funds and defining the tasks implemented by agents – public institutions (government, ministry) aimed at ensuring that the functioning of universities is in line with the expectations of the principal (taxpayers) (Toma 1986, 157). Due to the complexity and high costs of direct participation of voters in the decision-making processes, democratically-elected public authorities become agents who are tasked with taking into account the expectations of society as a whole and of selected social groups in educational policy and research. This concerns issues such as: tuition fees, access to public funds for public and private universities, prioritization of research and development funding, and others. In this context, the preferences and attitudes of voters and politicians are determined by their economic interests and ideology. The electoral process takes the form of revealing the conflicting interests of various groups, and the State serves as an agent for the constituencies of the majority (Pagano and Volpin P 2005, 2). This type of approach to political preferences (Roe 2003) and social legitimacy (Suchman 1995, 574) as determinants of the processes taking place in the HE sector thus extends beyond the conceptual framework of the agency theory and is also discussed in institutional, political, and legitimization theories (Austin and Jones 2016, 50 et seq.).

The second research perspective which most frequently applies the agency problem to describe processes occurring in higher education involves analysis of relationships occurring between the state/ministry (as principal) and public universities (as agents) (McLendon 2003; Gornitzka et al. 2004; Kivisto 2007; Lane 2007; Kivisto 2008; Ahmad, Farley, and Naidoo 2012; Macias 2012). While in the classical approach the agency problem relates to contractual relationships between individuals (shareholders and managers) in private corporations, this theoretical concept can also be used to assess relationships between organizations, including public sector institutions (Fama and Jensen 1983). The relationship between government and public universities, the description of which fits in the theoretical concept of the agency problem, refers to the academic governance mechanisms at the macro level, referring to legal and economic institutions and the formal and informal activities and rules of conduct which govern contractual relations between all actors involved in the operation of higher education system.

Evaluation of the government-university relationships from the perspective of agency theory requires that three elements be taken into account (Kivisto 2008, 340):

1. Tasks that the government delegates to universities;
2. Resources transferred to universities for accomplishing those tasks;
3. Government interest in governing the accomplishment of the tasks.

These elements create a research platform that enables the operationalization of various manifestations of opportunistic actions undertaken by public universities and the governmental responses to such behaviour. One can specify a number of issues which can be the

subjects of such an analysis (Gornitzka et al. 2004, 90, 96). They concern the principles of contract construction by such complex partners as the government and higher education institutions, their form (complete or incomplete), risk sharing, and the way the contract is treated, i.e. as a control tool or as an element of consensus in a dialogue between autonomous actors.

There is one more research perspective, related to the university governance, at the micro level, which also falls within the agency problem. It refers to the processes and institutions which decide upon the division of power and its implementation and enforcement within the university. In this perspective, the role of the principal is exercised by the university authorities. The leaders of basic academic units (Deans) and research teams are the agents. The agency problem in the Rector-Dean relationships is similar to that observed in private corporations related to the decentralized model of organization management, which means that control of the organization's operations is spread among various business units. The agency problem vis-à-vis conducting research by research teams and the motivating academic staff is of a different character, arising directly from the academic context. The university authorities have a limited capacity to monitor the activities of these teams and to assess the actual results (Liefner 2003). This is reinforced by the fact that the risk associated with failure to achieve the intended results of scientific research is significantly lower than in commercial entities. This creates possibilities for opportunistic behaviours by professors interested in their academic careers, personal success, prestige in the milieu, or gaining additional income, which does not necessarily contribute to the long-term success of the university. Agency theory may also be the starting point for identifying the determinants of salaries of academic staff (Gomez-Mejia and Balkin 1992). Managing the university – given the context of the high autonomy of internal units (faculties and research teams) – requires mechanisms to mitigate conflicts of interest and reduce opportunistic behaviours on the part of lower-level managers.

In Table 1, three research perspectives are used to assess processes in the HE sector using the agency theory as a theoretical platform. As emphasized by Kivisto (2007, 40), despite the significant contribution of agency theory to the analysis of theoretical and empirical aspects of the processes involved in HE, it seems that this theory has not yet been sufficiently appreciated and is not widely used in this field. There have been relatively few attempts to empirically verify the theses formulated on the basis of the agency theory, in contrast to the numerous studies of corporate relations. Most empirical research involves case studies of national HE systems (Gornitzka et al. 2004; Agasisti and Catalano 2006) or processes taking place in the examined universities (Macias 2012; Kagaari,

Table 1. Academic relations and agency theory – research perspectives.

Principal	Agents	Leading research problem
Society/taxpayers	Government agencies responsible for the higher education sector	The education and research policy of the government should take into account the expectations of society as a whole and of selected social groups
Government/ Ministry	Public universities	University accountability versus autonomy
Rector/university authorities	Deans	Supervision of the activities of internal academic units, under a decentralized model of organization management

Source: Author's own compilation.

Munene, and Ntayi 2013). Much less research is conducted using a panel regression models (Toma 1990; Gomez-Mejia and Balkin 1992; Johnes 2016).

There are numerous allegations of deficiencies in the agency theory. They concern both the assumptions underlying the reasoning presented in this theory as well as its predictive qualities and the difficulties in its application. Some of these allegations also refer to the institutional context characteristic for the HE sector. It is argued that assessing the interaction between government agencies and public universities does not take into account the social legitimization of the goals set by the government for universities. The concept of behavioural opportunism, which assumes the selfish striving of individuals to maximize individual utility under conditions of information asymmetry, can be questioned given the presence of norms of integrity and ethics governing such human interactions (Bosse, Phillips, and Harrison 2009, 447). The criticism of the agency theory also refers to its inability to express the social context of contracts which combine the agent and the principal (Wiseman, Cuevas-Rodrigues, and Gomez-Mejia 2012). The social norms in a diverse institutional environment can lead to behaviours in which group interests will dominate over individual interests. The contracting parties may attach greater importance to non-financial motives such as reputation, personal satisfaction, honour, social trust and others. (Lubatkin et al. 2003, 487–488).

In contrast to the opportunistic attitudes which are the axis of the agency theory, the stewardship theory is a theoretical conceptualization of the vision of the university as a public institution entrusted with the provision of services for the good and the development of society (Davis, Schrooman, and Donaldson 1997; Muth and Donaldson 1998; Kluvers and Tippet 2011). In this approach, there are no problems with motivation and monitoring of academic leaders. Prime importance is given to their non-financial, internal motivations: gaining success and recognition, the satisfaction of professional achievement, self-fulfilment, respect for authority, and their work ethic.

The weakness of agency theory is also that it offers a narrow view, ignoring the fact that universities are part of a system which, in addition to strictly academic relationships, also encompasses broad business and social interactions. The autonomy of the university should be linked to the requirement of its accountability to society and to determining the desired impact of the socio-economic environment on its functioning (Austin and Jones 2016, 42–44). This has been called the ‘third mission’ of the university (Jongbloed, Enders, and Salerno 2008). Building proper relationships with stakeholders is the basis for legitimizing education and research processes, which determines the process of social acceptance of the HE institutions.

3. The agency problem in state/ public universities’ relations

The practical use of the research perspectives of agency theory makes it possible to try to determine the criteria for effective institutional structures which should be applied in the HE system. This should serve as a response to a series of important questions: How should the tasks, powers and competences be divided between delegating and implementing institutions? How can a system of incentives be created which will ensure the alignment of goals of all parties to the contract? What evaluation criteria can be considered as objective parameters for determining the effectiveness of management of entrusted resources?

The source of the agency problem is the simultaneous occurrence of two phenomena: The conflict of interests of the contractual parties and the asymmetry of information. A conflict of interest means that the agent has different goals than those which have been included in the contract with the principal. This leads to the danger of the agent engaging in hidden activities which threaten the fulfilment of his or her contractual obligations (Eisenhardt 1989). The second phenomenon, information asymmetry, arises when the agent has access to knowledge about the details of the tasks he or she performs and the actual motives by which he/she is guided and of his/her abilities. It is possible to identify some features of processes taking place in the HE sector which exemplify these two phenomena.

The foundation of the conflict between universities and the state is the way in which the key mission of the university is defined, as providing cultural capital for society – the university as a ‘temple of science’ or creating knowledge for the economy – the university as a ‘factory of specialists.’ The first approach lies in the theoretical conception of the traditional vision of the university as a public institution which is a source of knowledge, providing services for the development of society. This is a reference to the model of academic oligarchy within the concept of Clark’s so-called ‘triangle of coordination’ (Clark 1983). The second approach, related to the ‘model of state power’ reflects the preferences of the state (principal). In this approach, the university is a provider of socially-useful public goods on the market of academic services. This makes the state/government the central coordinator of higher education – it defines priorities, the rules for admission of students, curricula, development plans and tasks of the university, and allocates funds. Conflicts of interest may also be expressed as a clash between the utilitarian claims by the state – implying a requirement for the university accountability – and the cultural and ethical approach, which accentuates academic freedom and institutional autonomy (Kivisto 2008, 341).

The processes which take place in academia are susceptible to the asymmetry of information because of the nature of their leading ‘product’ – knowledge – characterized by enormous volatility and unpredictability. As Clark writes: ‘Knowledge is relatively invisible as a material, a product, and especially as a process.’ Therefore, ‘developing thoughts, as in research; transmitting thoughts, as in teaching; absorbing thoughts, as in learning – all are difficult to see and evaluate directly at the time they occur.’ (Clark 1984, 126). Evaluation of the key mission of the university – the creation of knowledge and the provision of educational services, requires unique expertise. This means that it is difficult for government agencies to monitor the competences and activities of universities. Additional causes which aggravate asymmetry of information may be identified (Ahmad, Farley, and Naidoo 2012, 15). They arise, firstly, due to the time shift between the purchase of an academic service (enrolment of students, financing research activities) and its consumption (gaining an education, scientific discovery). This creates vast uncertainty about the intended results. Also important is the diversification of consumers, who have a variety of preferences and educational needs. The specificity of the higher education sector should also be pointed out. The sector offers public goods – in essence, a comprehensive set of educational and scientific research services – which cannot be measured by standard methods. Asymmetry of information also arises from some of the characteristic features of public universities, i.e. their size and structural complexity, manifested by the presence of extensive organizational structures and diverse activities.

Agency theory indicates two mechanisms by which the principal can limit the opportunism of the agent. These are behaviour-based and outcome-based contracts (Eisenhardt 1989, 61–62). The operationalization of these mechanisms in academia takes the form of evaluation procedures related to the quality assessment system and methods of financing public universities. The essence of the first approach is the monitoring of actions taken by the agents. In academic practice, this involves a variety of procedures relating to state-imposed academic reporting, financial reporting, parametric evaluation, requirements to obtain accreditation, expert assessments etc. The outcome-based contract involves rewarding agents for the results of their actions. The financing of teaching and research activities of public universities on the basis of achievements in the field of education and research is an example of such a solution. Given the nature of the processes involved, the proper combination of these two mechanisms is particularly important in the HE sector. Due to the problems related to the measurement of academic and teaching achievements and the high uncertainty of the results of academic projects, it would be expedient to search for a behaviour-based contract. On the other hand, the unique nature of such projects, which require unique expertise and creativity, suggests that the use of outcome-based contracts may counterbalance information asymmetry (Kivisto 2008, 344).

In each of the mechanisms used to mitigate the agent problem, the goals that the government (principal) sets before universities (agents) and the measures of success become of utmost importance. They determine the processes which combine the results (outcomes), expected from the organization, with the decisions (behaviours) which lead to these results. The common denominator for both public universities and commercial entities is the requirement of high efficiency in attaining the aims put before the organizations by the principal. Regardless of the type of activity, the concept of efficiency expresses the relationship between the volume of production and the amount of resources used. However, the specificity of the activity makes it critical to find the proper way to express production (activity effects) and consumed resources (inputs) (Veiderpass and McKelvey 2016).

4. The agency problem and the dysfunctionality of the higher education system in Poland

The Polish higher education system underwent radical reforms after 1989. The communist model of university¹ governance was highly centralized with the government as a key actor, who decided, on the number of students, educational programmes, and appointment of university authorities, among others. University funding was heavily dependent on state budget financing. Western European universities with their management, organization, funding and academic career models, were the reference point for the reform of Polish academic institutions (Kwiek 2015). The integration processes related to Poland's accession to the European Union, which fostered the creation of academic standards consistent with those that exist in European higher education, were an important stimulus which increased the pressure to introduce new institutional standards (Dakowska 2015). There are some key changes that have been implemented in Polish universities under the post-communist transition: institutional autonomy, regulated by the Polish Constitution, the processes of commercializing the system, which led to the emergence of private HEIs, the diversification of funding for public universities, which in addition

to budget financing can charge fees for extramural studies, and new competitive research funding regimes (Thieme 2009; Kwiek 2014).

Despite the profound reforms which have been undertaken since the collapse of the communist model of academic governance, it is still emphasized that the current academic standards for financing and evaluating scientific research and academic careers are not properly aimed at achieving academic excellence. The key problems of the Polish higher education system include, among others, inappropriate regulations concerning the organization and structure of universities, and the limited possibility of efficient management; mismatch of the structure of the higher education system to the existing social, economic, political and demographic challenges; limited financial autonomy of universities; the imbalance between the research and teaching missions, even in the most prestigious public universities, which has led to a very low international research visibility and the low significance of the results of Polish scientific research in world scientific research, isolation from the needs of society and economy (Ivory Tower university) (Kwiek 2014).

In February 2016, the Ministry of Science and Higher Education announced a competition for developing the principles of a new law on higher education (Act 2.0.), to which 15 teams signed up. The competition committee chose three teams,² representing various Polish academic institutions, which in March 2017 presented their proposals for reforms. There is an agreement on the main goals of the academic reform in Poland, which directly relate to the three missions of public universities: raising the level of scientific research; improving the quality of education and adapting it to the requirements of the labour market; cooperating with the social and economic environment and supporting the development of regions. The implementation of these objectives, especially the first one, should translate into an improvement in the international competitiveness of Polish science, and be confirmed by the presence of Polish universities in international university rankings.

This part of the article is devoted to the diagnoses contained in the reports of the three teams, the common denominator of which is the agency problem in academic relations: resulting from two main sources: the conflict of interests between the agent (university, academicians) and the principal (the state, university authorities) and the asymmetry of information. The focus has been on the key factors which, according to the authors, affect the dysfunctionalities of the Polish higher education system, and which fall within the concept of the agency problem.

The reform proposals of the Allerhand Institute (IA) include a direct reference to the agency problem. According to the authors, 'the current solutions in the field of higher education and the financing of science and state policy were based on distrust towards the academic community. In many cases the strategy of distrust was justified' (Radwan 2017, 15). First of all, it is emphasized that from the two perspectives characterizing the attitudes of the state (principal) and the agent (university), the emphasis was placed on the latter's – institutional autonomy, understood as the lack of accountability of the university towards society. And further,

academic autonomy has become a form of corporatism, with all its faults, and the centralization of management is taking place at the level of Faculties³ which compete with each other for financial resources without any incentives to improve the quality of research and didactics (Radwan 2017, 18).

The most important reason for the dysfunctionality of the HE system is the excessive democratization of the Polish universities. This leads to a weakness of leadership, resulting from the overdependence of the Rector on the university academic community. In practice, this may prevent ambitious reforms, or take corrective actions. The Rector's position, along with the possibility of his re-election, is built on exchanges for privileges and benefits, buying support in the process of selecting the university authorities, and not on the basis of real achievements.

This implies that there is no possibility of pursuing coherent educational and research policies, resulting from the specific federalization which leads to an over-disintegration of the university (or other HEIs) into basic units. The university becomes a loose, rather chaotic federation of Faculties, guided by their particular interests.

Another view was presented by the team representing Adam Mickiewicz University (UAM). The principle of autonomy is one of the sources of the conflicts of interest between the state (principal) and the universities (agents). In the diagnosis of the UAM team, paradoxically this excessive limitation of university autonomy, including the Rector's authority, becomes a key problem hindering the development of Polish HE. Management of public universities is restricted by detailed bureaucratic rules, excessively interfering with various aspects of the institution's functioning and actually reducing the effectiveness of management. This is reflected in the central regulation of the rights and duties of academic staff. Another example involves the rules governing financial management, which combine the regulations that govern public universities, public sector institutions, and commercial entities. Similarly to the IA team's diagnosis, it is indicated that collective bodies (Senate, Faculty Council) have too broad powers, which means a constant search for internal consensus and an excessive federalization of autonomous Faculties, effectively preventing Rectors from making courageous, and often difficult, decisions.

One of the pillars of the UAM proposals is the demand to ultimately transform the system into three types of universities/HEIs: research, research and didactics, and didactic. This solution is justified by the opposition to the 'logic of equality.' The authors firmly undermine the conviction of 'equal potentials in science, which leads to pathologically equalizing treatment and funding of all elements of the system, regardless of their abilities, achievements, capabilities, and location in the system' (Kwiek et al. 2016, 22). The justifications for such arguments can be found in the theorems formulated on the basis of the agency theory. One of the sources of the agency problem is the asymmetry of information. The state as a principal has a limited ability to monitor the actions undertaken by public HEIs, as well as to fine-tune the financial streams by which it is possible to direct the agent's decision in line with the principal's preferences. In this context, the coexistence of 'multi-functional institutions' in the current system, i.e. leading universities dealing with mass education and vocational universities which seek to imitate research activities – having secured funding from public resources – is regarded as dysfunctional.

The proposal prepared by the third team from the SWPS University in Warsaw includes similar opinions on the main weaknesses of the HE system in Poland. This is, first of all, a matter of the limited autonomy of the university, which is related to the problem of the over-regulation, which is especially acute in the context of the huge diversification of HEIs. The needed of 'de-bureaucratization' should concern primarily the system of assessments of scientific units and the criteria for the evaluation of research

projects by the state agencies which award the grants for research. According to the SWPS team, the phenomenon of ‘federalization’ of HEIs should be counteracted, which results from the fact that at present the university is not a scientific unit within the meaning of the regulations on the principles for financing science, and consequently the Rector and Senate do not have the instruments for conducting scientific policy (Izdebski 2017, 45). This leads to the practical use of autonomy by the Faculties, which are formally basic scientific units. The efficiency of university management is also hampered by the position of the elective Rector, who needs the agreement of the Senate for all the most important decisions.

Table 2 presents the most important reasons, according to the authors of the drafts, for the dysfunctionality of the HE system in Poland. Their common denominator is that they refer to phenomena within the theoretical framework of the agency problem. The primary source of conflicts of interest in relations between state and public universities is, on one hand, the striving of the universities for institutional autonomy and freedom of research and teaching processes, and on the other hand the striving of the state to ensure the high efficiency of academic processes, reflected in the university accountability. In this context, the state as the principal has a broad arsenal of tools and mechanisms to regulate contractual relationships between HEIs – tools aimed at limiting the opportunistic behaviour of universities (agents). However, an excessive use of such mechanisms may undermine the principle of autonomy and this is the primary reason for the ineffectiveness of the HE system.

The limitation on autonomy, seen as resulting from the weakness of the Rector’s leadership, is also rooted in the processes which form the university governance system at the micro level. This results from, firstly, the excessive democratization of the university governance, which makes the Rector too dependent on the academic community, and secondly, from the federalization of Faculties, guided by their own particular interests, which limits the autonomy within Faculty organizational units (institutes, departments, centers).

5. How should the agency problem be resolved in a reformed higher education system in Poland?

Diagnosis of the weaknesses of the HE system in Poland is the starting point for presenting reform proposals. The drafts of Act 2.0. prepared by the three academic teams refer, in a

Table 2. The agency problem in the HE system in Poland.

Team	The source of the agency problem
Allerhand Institute (IA)	The excessive democratization of the university governance, leading to the weakness of leadership as a result of the Rector’s excessive dependence on the academic community. Defective allocation of coordination (centralization) and autonomy (decentralization) in the university governance. There is too much autonomy for the faculties, and limited autonomy, in terms of freedom and financial autonomy, of teams implementing research and didactic projects.
Adam Mickiewicz University (UAM)	Excessive limitation of the university’s autonomy and Rector’s authority due to legislative bureaucracy; too broad powers granted to collegial bodies; and excessive federalization of autonomous faculties. Coexistence of ‘multi-functional institutions’ in the system, impeding state supervision and leading to information asymmetry.
University of Social Science and Humanities (SWPS)	Limited autonomy of the university resulting mainly from over-regulation. The phenomenon of ‘federalization’ of HEIs, leading to basic academic units taking advantage of their autonomy

Source: Author’s own elaboration based on three drafts Act 2.0.

comprehensive manner, to the academic governance standards. Further discussion focuses on the mechanisms by which, according to the authors, the scale of these unfavourable phenomena may be reduced. Reform proposals will be confronted with two mechanisms, which have to be implemented to limit the agent's opportunism: behaviour-based and outcome-based contracts.

According to IA, the limitations on university autonomy stemming from the excessive democratization of the university system, which results in a weakness of leadership, are the most important causes of the low efficiency of university governance. This diagnosis lies squarely within the theoretical concept of the agency problem because it sees the sources of inefficiencies in the conflicts of interest between the university authorities acting as the principal, and the leaders of basic academic units, who are agents. The remedy for resolving these problems is to 'increase the autonomy of the university by reducing the immanent inertia: The internal barriers to self-determination emerging from the tensions between democracy and meritocracy, and its derivative conflict – between the majority and the right actions.' (Radwan 2017, 37). The problem of leadership weakness is to be solved, first of all, by the university governance system, by transferring many corporate solutions into this system. The Rector, appointed by the Senate, performs primarily consultative, advisory, and ceremonial functions. The most important officer of the university should be a President elected by a board of trustees, to whom the most important decision-making powers would be delegated. The President does not have to be a scientist, but a manager with experience in the management of universities, public administration, and/or commercial companies. The President's competencies should include, among others, having a decisive influence on the appointment of the heads of the basic units – Deans. The board of trustees would be a new institution in the university governance system whose activity, taking into account its composition, the rules for the selection of members, and their competence, should be similar to supervisory boards in share-holding companies.

The second solution mitigating the problem of agents' opportunism (Deans), is the proposal to increase the freedom to conduct research through empowering scientists/academic teachers. The essence of this solution is the right of academics to create bottom-up associations in the so-called 'operational organizational units' (OOU) responsible for conducting research and educational processes within the university. This should lead to a strong dual identification of academic staff: with an autonomous, bottom-up unit; and with the university as a common label and reputation, backed up by the required facilities and infrastructure (Radwan 2017, 74). This strengthening of the autonomy of operational organization units should also be enhanced by transparent principles for the granting of financial resources. The essence of the concept of OOU is to introduce within the university a quasi-market mechanism for the allocation of human, material and financial resources. Such units would constitute a specific type of 'business' centers (profit centers), with their own separate budgets and assigned tasks. The algorithm of resources allocation is based, on one hand, on the type of a unit: The larger the unit, the larger the multiplier; and on the other hand on the quality and productivity of the scientific unit (a 'perfection' bonus). This proposal directly links to the theoretical concept of an outcome-based contract, and it is the mechanism limiting opportunism vis-à-vis the university authorities leaders of OOU.

The issue of strong leadership of the university authorities is also deemed to be fundamental in the proposals of the Adam Mickiewicz University (UAM). Their proposed new systemic solution would be based on 'transferring the management burden to the level of Rector authorities at the expense of limiting central regulations and the organizational authority dispersed at various levels of the university' (Kwiek et al. 2016, 35). The Rector would be elected by a board of trustees, composed of prominent scientists and non-academic people. This implies the professionalization of university management processes, by changing the rules of selecting academic leaders, which should lead to a strengthening of the one-man bodies (Rector and Deans) and make the collegial bodies (Senates, Faculty councils) into advisory bodies. Less collegial management will make better use of the potential of Polish academic institutions.

Another pillar of the reform proposal presented by the UAM team is to emphasize the university's accountability, which should be the basis for the legitimization of the increase of institutional autonomy in the personnel, management, and financial dimensions. The first dimension – personnel – involves a departure from the statutory regulation of the rights and obligations of academic staff, and a greater diversity of university posts, which would be subject to regular (once in every four years) individual assessments within the university. Autonomy in the management dimension requires a clear reduction in the number of central regulations, which interfere with the autonomy of universities. The financial dimension of university autonomy is a departure from the detailed legislative definitions of financial streams. Instead of central, rigid rules defining the way public funds are used, it is proposed to introduce university funding in the form of large, four-year grants without the need to define in detail how they will be spent, allowing universities to fully utilize their autonomy.

The financing of public universities in the UAM proposal is described extensively. The allocation of funds corresponds to another significant change that would be introduced in the HE system. The essence of this proposal is 'the institutional diversification of higher education and the identification of three categories of institutions, differing in their profile of activity and potential' (Kwiek et al. 2016, 57): research-oriented universities, research and teaching oriented universities, and teaching-oriented universities. The category of a university would determine the way in which the institution would be formally assessed by the state and its agencies, the rules for access to public funds, the criteria for promotion and assessment of academic staff. It would also have an impact on the extent of academic autonomy, which will grow with the university's place in the system, 'and the most valuable research and the highest academic prestige ... will gradually be concentrated in the upper layers of the system, in research-oriented universities' (Kwiek et al. 2016, 22). The 'place in the system' will also determine the rules of financing higher education institutions. In the case of research-oriented universities, the budget will depend on the research component and, for historical reasons, on the teaching component. There will also be two components in research and teaching-oriented universities, but the research component will play a smaller role. The budget of teaching-oriented universities will depend on the number of students.

The proposals of SWPS University team include similar institutional solutions as those of the other teams. The extension of the universities' institutional autonomy would be accomplished by

transferring a wider range of issues to the level of statutory regulations, and thereby granting the possibility of choosing solutions appropriate for a given school, and thereby granting the possibility of choosing solutions appropriate for a given school, taking into account the obligatory and enforceable provisions of the law, limited to the necessary minimum (Izdebski 2017, 49).

It is proposed to divide higher education institutions into three types: research-oriented universities, research and teaching-oriented universities, and teaching-oriented universities. The category in which a university is placed would have an impact on their research responsibilities, on the right to award scientific degrees, on the possibility of obtaining the right to education, and on the fulfilment of the specific requirements for its university governance system.

In response to the identified weaknesses of the leadership of the university authorities, the SWPS team proposes changing the system of universities through the introduction of managerial mechanisms. The Rector would be elected by the Senate from among candidates selected in a competition. The Rector's role would be limited to the area of didactics and research and representative functions in external contacts. The powers of the Chancellor would be strengthened. He/she would be the head of an entity within the meaning of financial law. A collegial body representing external stakeholders would be a new obligatory institution in the university governance system. Its composition, competences, and tasks should be adapted to the nature of the tasks performed by the institution. The Dean would be

elected by the Faculty Council, but the Rector would have a one-time right to oppose the person elected by the Faculty Council, and the statute could introduce the Rector's right to appoint a Dean from among the candidates presented by the Faculty Council. (Izdebski 2017, 54) [Table 3](#).

Despite the differences in the formulation of detailed solutions, several common elements can be identified in the above proposals for reform of the HE system in Poland. According to the authors of all the drafts, the key factors determining the increased efficiency of higher education institutions are to provide public universities with institutional autonomy vis-à-vis government agencies and to give university authorities a strong position in relation to internal units. The increase in autonomy should be accompanied by an institutional diversification of the sector, a coherent financial system, and quality assessment, which should reduce the opportunism phenomenon by guaranteeing the provision of services meeting the requirements of universities' accountability. The strong leadership of the university authorities would be conditioned upon the introduction of elements of corporate management into the university governance system.

6. Conclusions

Each of the three drafts of the new regulations included original diagnoses of the dysfunctionality of the HE system in Poland and proposals for reforms that would improve the quality of academic governance standards. This should translate into an improvement in the international competitiveness of Polish science.

The common theme of the proposals, which have been the basis for the deliberations contained in this paper, is the agency problem in the HE sector and the methods for

Table 3. The agency problem in the HE system in Poland: Proposals for solutions.

Team	Proposals for resolving the agency problem
Allerhand Institute (IA)	Strengthening the leadership of the university by transferring corporate solutions to the university governance system. Limiting the role of the Rector, appointing a President with the most important decision-making powers, the creation of a board of trustees as a new authority. Increasing the freedom to conduct research by empowering operational organizational units. Introducing a quasi-market allocation of resources within the university.
Adam Mickiewicz University (UAM)	Increasing university autonomy by transferring the management burden to the level of the Rector's authority at the expense of limiting central regulations and organizational power dispersed at various levels of the university. Institutional diversification of higher education and the identification of three categories of HE institutions: research, research and teaching, and didactic universities. New funding rules for universities adapted to their role in the system.
University of Social Science and Humanities (SWPS)	Increasing the institutional autonomy of the university by transferring a wider range of issues to the level of statutory regulation. Introduction of the division of higher education institutions into three categories: research universities, didactic and research universities, and didactic universities. The changes to the funding system should be adjusted to the new organization of higher education. Changes in the university system through the introduction of managerial mechanisms.

Source: Author's own elaboration based on three drafts Act 2.0.

resolving it. Of the three research perspectives, all of which show the conflicts of interest between the actors on the academic scene, two have been very clearly highlighted. The first set of agency problems concern the government-university relationship and its impact on the institutional autonomy of universities vis-à-vis the state. The second perspective relates to solutions which comprise the academic governance, which by determining the distribution and division of powers and their enforcement within the university thus decides upon the autonomy of the basic academic units, i.e. Faculties, in relation to the university authorities. Two different approaches, rooted in different academic contractual relationships, lead to the same result, which is the weakness of university leadership, which in turn translates into a limitation on its autonomy.

In response to problems arising from excessive bureaucratic regulations, which limit the decision-making autonomy of the university leadership, it is necessary to reduce the number of central regulations which interfere with the autonomy of the university. Solutions which can ensure that the government (the principal) can effectively supervise the actions taken by autonomous universities (agents) include new institutional arrangements to reduce information asymmetry. The most important proposals are related, firstly, to the identification of three categories of universities: research-oriented, research and teaching-oriented, and teaching-oriented, with each being subject to different responsibilities in the field of research and education. Secondly, new funding rules for higher education are supposed to ensure an efficient allocation of financial streams, tailored to the specificity of processes implemented in the different types of universities and to rewarding academic excellence (outcome-based contracts).

A new university governance system is proposed as a solution to the problem of leadership weakness. The essence of the system is to transfer the management burden to the level of the university authorities. This means a significant revision of the traditional university system and the adoption of corporate solutions, leading to the professionalization of

university management processes. These changes involve new bodies of authority (President, stronger position of the Chancellor, and a board of trustees), a less collegial management style by giving collegiate bodies an advisory, rather than decision-making role, thus constituting a new mode of appointment of academic leaders (Rectors, Deans). The strong authority of the university leadership is supposed to be a remedy against displays of opportunism by internal units.

Notes

1. Unless otherwise noted, the term ‘universities’ in this section includes other public higher education institutions (HEIs).
2. In the following considerations abbreviations will be used to denote units under the direction of:
 - Dr. hab. Arkadiusz Radwan from the Allerhand Institute in Krakow (IA);
 - Prof. Dr. hab. Marek Kwiek from the Adam Mickiewicz University in Poznan (UAM); and
 - Prof. Dr. hab. Hubert Izdebski from the University of Social Science and Humanities in Warsaw (SWPS).
3. Similar to ‘Departments’ in the American system of higher education.

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