

Risk and Crisis Management

(University of Latvia Example)

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Short overview of the higher education development in Latvia

The economics theory tells that a rapid economic development always will be followed by a slowdown or even a crisis. This pattern, which is known as a cyclic character of modern economic development, has been studied in many departments of economics at numerous universities for many years.

Nevertheless, when a crisis hits particular country and influences the life of higher education institutions in this country, it rather often appears that these institutions are not fully prepared for the consequences. This became true for Latvia at the end of 2008.

To understand the current processes that are happening in the higher education in Latvia, one needs to put things in a historical prospective.

The development of Latvia's higher education system goes back to 1919, when the first national higher education institution, the University of Latvia (*Latvijas Universitāte* – in Latvian), was established in Riga. It happens less than one year after the foundation of Latvia as an independent country. Nevertheless, to understand the current state of the higher education in Latvia, we must consider mostly the development of the system starting from the 1990s, when Latvia regained its independence. Issues like governance, professional administration, planning, and strategy were not top priorities at that time. The key issues were democracy and decentralisation. That was the time of really fast changes. Due to economic reasons, during the first several years of independence a number of highly educated and professional people left the higher educational institutions and changed their occupation. They got involved in politics, started own businesses etc.

One of the first laws passed in 1991 was the Education Law. However, it regulated only some of the aspects of higher education and was more like framework regulation. However, it outlined changes and a few new principles like granting more autonomy to higher education institutions, introducing bachelor and master studies and also providing legal ground to organize private higher education institutions. This law allowed the introduction of tuition fees as well.

After that only a certain number of highest scoring students received public funds for higher education, but the majority have to pay full tuition fees. As a result, the higher education institutions found themselves in a very convenient time for transformation into modern education, research and culture centres. The intensive international collaboration started at that time. The key if not the only source of funding of the higher education development in the first decade between 1990 and 2000 were TEMPUS projects¹ and other international resources.

In 1995 the Law on Higher Education Establishments² was adopted and with many amendments it is still the main regulation for the higher education. It guarantees reasonable autonomy for higher education institutions. Binary education system in this law is defined *de jure* (*de iure* – in Latin), however, the differences basically apply only to the type of curriculum (whether the studies are academic or professional).

Short overview of the higher education governance in Latvia

There are three main governance bodies defined in the law that determine policy and operation of the higher education sector in Latvia. These are the Ministry of Education and Science, Council of Higher Education and the Rectors Conference. The most important among these bodies is the Ministry of Education and Science. Nevertheless, currently in Latvia not all the higher education institutions report to the Ministry of Science and Education. So, for example, the Agriculture University of Latvia reports to the Ministry of Agriculture, Riga Stradins University (medical university) reports to the Ministry of Health. There are higher education institutions that report to the Ministry of Culture and Ministry of Defence as well. As a result, very similar study programmes

¹ Rauhvargers A.: TEMPUS in Latvia, Impact study, European Commission, Riga, 2001

² Law On Institutions of Higher Education (<http://izm.izm.gov.lv/laws-regulations/2095.html>)

offered by higher education institutions supervised by different ministries can be funded differently. As an example we can mention medical studies at the University of Latvia (Ministry of Science and Education) and similar programmes at Riga Stradins University (Ministry of Health).

After the year 1990, the number of students funded by state has increased very little, but the total number of students is sized almost four fold. As a result, most of students even in the higher education institutions funded by state are not really supported by the state but are paying full tuition fee. A consequence of this policy is the rapid increase in the number of private higher education institutions, which currently total 15 (and five more colleges).

The Government has decided to establish contractual relationship between ministries and higher education institutions. The first contracts were signed in 2002. These contracts are updated accordingly on a yearly basis, taking into consideration the number of study places to be funded from the State budget and the number of graduates in different study programmes agreed upon for the respective academic year.

The Ministry of Education and Science is responsible for co-ordination, licensing and accreditation of study programmes. In a view of the autonomy of higher education institutions and the limited ability to influence their development processes, the development of higher education institutions has taken place in various directions, without consideration of either the national interests or the possibilities for mutual co-operation.

Their quality assessment procedure determined by the Law on Higher Educational Establishments is an important to ensure the quality of higher education study programmes and institutions. The accreditation of study programmes and higher education institutions is managed by the Higher Education Quality Assessment Centre. The assessment procedure is international and the presence of foreign experts is required.

Since 1997, the students in Latvia are able to use two state-funded credit schemes: the student loan (social loan) to cover their social expenses and the study loan to cover the

costs of their tuition fee. Since 2001, study loans are provided by banks and guaranteed by the state.

Currently along with the Law on Higher Education establishments specific aspects of higher education are regulated by the Education Law passed in 1998³. The regulations of the higher education are also provided in the Vocational Education Law⁴ passed in 1999 and other laws, for instance, the Law on Scientific Activity⁵. Apart from the above laws, there are also a lot of secondary acts regulating the higher education in Latvia. Unfortunately, the above acts are incomplete and in many ways contradictory. Therefore, a strategic and methodical approach to the further development of higher education is necessary, which would ensure stability at higher education institutions and facilitate their activity.

Current situation

For the previous five years, which followed Latvia's admission to the EU in May 2004, for different reasons, the analysis of which exceeds the scope of present paper, Latvia experienced very rapid economic growth. For example, the amount of the funds that the state invested in universities in 2005 in comparison with the year before was increased by 36 percent, in 2006 by 36.3 percent, in 2007 by 51.6 percent and in 2008 again by 4.5 percent. As a result, the minimum allowed monthly salaries for professors increased from LVL 420 (equivalent to EUR 598) in 2004 to LVL 1101 (equivalent to approximately EUR 1567) in 2008⁶. Despite this remarkable increase in state funding of higher education institutions, it must be noted that even in 2008, which was the "richest" for higher education, Latvia spent only 0.74%¹ of its GDP on higher education, which was one of the lowest percentages spent on higher education in the entire European Union. According to the data of the European Statistics Committee, the average percentage of GDP spent on higher education is 1.2%².

³ Education Law (<http://izm.izm.gov.lv/laws-regulations/2093.html>)

⁴ Vocational Education Law (<http://izm.izm.gov.lv/laws-regulations/2290.html>)

⁵ Law on Scientific Activity (<http://izm.izm.gov.lv/laws-regulations/2291.html>)

⁶ <http://izm.izm.gov.lv/registri-statistika/statistika-augstaka.html> (skatīts 18.02.2010.)

Another peculiarity of the higher education system in Latvia that should be mentioned here to put the further discussion in a proper context is that although in 2008 Latvia had one of the highest number of students per 10 000 inhabitants in the entire European Union (525 in 2008), studies only of one quarter of them were funded by the state. Three quarters paid for their education themselves and, what especially should be stressed, paid full tuition fee. These tuition fees appeared to be rather high. So, for example, for the academic year 2008/2009 the tuition fee for one-year studies for the bachelor level at the University of Latvia was LVL 1300, which was close to the average for Latvia. On the other hand, for comparison we can mention that according to the data released by the Eurostat in 2009, the average money allocated for one higher education institution in Latvia is the lowest in the entire European Union. It is not surprising that it is lower than, for example, in Scandinavia, but if it is lower than in Hungary or Bulgaria, which have lower economical indicators than Latvia has, then it can be considered as a reflection of the state policy for higher education⁷.

This intensive growth in the number of students occurred after 1990, when Latvia regained independence. For comparison, in 1990 in Latvia we had only 46 000 students, which meant 172 students per 10 000 inhabitants. In contrast, in the year 2006 Latvia had 566 students per 10 000 inhabitants⁸. To accommodate this large number of students, also the number of higher education institutions had been growing at a high speed. So in 1990 there was only one university in Latvia – the University of Latvia and seven more higher education institutions⁹.

Currently we have 34 higher education institutions, not including colleges. Among them six qualify as universities. From all these 34 institutions 18 are state funded. State institutions are main recipients of funding from the state for higher education, but some private higher education institutions receive funding directly from the state as well. The status of being state funded institution among other consequences meant that all the money that institution have, including the money obtained as tuition fees or different type

⁷ Key Data on Education in Europe 2009, European Commission, ISBN 978-92-9201-033-1
DOI 10.2797/1715 (<http://www.eurydice.org>).

⁸ <http://izm.izm.gov.lv/registri-statistika/statistika-augstaka/2007.html>; sadaļa 4.2. Studējošo skaita dinamika Latvijā 1990./91.–2007./2008. ak.g. (skatīts 18.02.2010.)

⁹ Academy of Agriculture, Academy of Medicine, Riga Polytechnic institute, Academy of Fine Arts, Conservatorium and two pedagogical institutes in Daugavpils Pedagogical institute and Liepāja Pedagogical institute.

of commercial and academic projects, considered as part of the state budget. This, in turn, meant that at the end of the budget year, which coincides with a calendar year, all the money on the accounts of the institution must be spent. An institution was not supposed to have any savings for long-term strategic goals.

This was the higher education system in Latvia, which was hit by the economic downturn that we faced starting from the year 2009. What happened at the end of 2008 and the beginning of 2009?

Initially, the higher education budget already accepted by the Cabinet of Ministers for the year 2009 was reduced by 25 percents. Then, when the higher education institutions with different success managed to accommodate these changes and to create workable plan for the budgetary year, in June the next budgetary cut was announced. The remaining budget for the higher education institutions was cut by further 30 percent, which in total meant a cut by 48 percent for the initially planned and accepted 2009 budget. What created even more serious problems was the late decision for this second cut. These problems were related to the peculiarity of the higher education cycles. In Latvia, according to the law professors have two-month paid vacations that usually are taken during the summer holiday months – July, August. During these vacations professors are paid the average salary from the two previous months. This effectively meant that any reduction in the number of professors or their salaries according to the law can be implemented only starting from September. Why it was a problem? From the beginning of 2009, institutions spent per month on the average one twelfth of the funds available for the year. This spending largely was only on salaries, because the money available for the development was reduced close to the next to nothing. The government decided that the second budgetary cut was calculated not from the money for the second part of the year, but from the total yearly budget of the institutions. This actually meant that when higher education institutions paid vacation pay to professors and other employees according to the law, very little funds were left for the last four months of the year.

This was the crisis that the University of Latvia experienced and that we needed to manage during the year 2009, and the process is ongoing also during the year 2010, when this paper is written.

The year 2010 started with further cuts in Latvia's higher education budget. On the average, the budget for higher education was reduced by further 18 percent. But in contrast to the previous budgetary cuts, this time reductions were different for different higher education institutions. In particular for the University of Latvia, this time budgetary cuts resulted in 14 percent reduction.

In this analysis we will be using the University of Latvia as an example of how institutions are managing crisis.

Currently the University of Latvia is the country's largest university. If we look at three Baltic States, then only Vilnius University has a similar size by the number of students. The University of Latvia is the only university of classical type in Latvia. It means that it covers in studies and research all the areas of academic activities – sciences, social sciences, humanities, medicine and teacher training. The only field that has limited development at the University of Latvia is engineering. Riga Technical University covers teaching and research in engineering to a large extent.

There were around 21 000 students at the University of Latvia in February 2010. Studies are organized in 13 faculties. Research is conducted in twenty research institutes. Altogether the University of Latvia employs 864 of academic personnel and 1666 of support personnel¹⁰.

After all the reductions in the budget of the University of Latvia, our budget for the year 2010 is planned at LVL 43.5 million. The income of the University is distributed as it is shown on Fig. 1. The largest income item in our budget are self-generated earnings (38%) from tuition fees and different other activities that generate money for the University. The second largest source of earnings for the year 2010 are European Structural funds (28%) and only the third position is the state donation for higher education (20%). This diversity of incomes in our budget and reduction of the dependence of the University budget from direct state funding was one of the goals which we set for our University and which even in this very serious budgetary situation allows us to look optimistically at the current year and a more distant future.

¹⁰ LU Personāla departamenta dati, 01.02. 2010.

What was done during the last year and in the previous period at the University of Latvia that allows us to look into the future with cautious optimism?

As it was declared many times, a crisis starts not from the economy, but first of all in our heads, in our attitude towards the processes that are occurring in economics and in the society more generally. If there is a mission feeling, if there are well defined common goals for the academic personnel and students, then it is more easy to communicate typically very tough decisions that are necessary to be taken during the economic hardship and to unite university personnel and students (in our university in the internal communication it is sometimes called family – *saieme* in Latvian) behind these actions.

It is honest to say that the University of Latvia was lucky. Just at the moment when we realized that the crisis hit our university hard, in December 2008 the Senate of the University of Latvia unanimously adopted the new strategic goals for our development. These goals start with the broad vision for the future development of the University. It reads as follows:

In the year 2019 the University of Latvia is among the leading research universities in the Baltic Sea region and is ranked high among the European universities.

As sometimes, if taken out of the context and processes that were taking place in the University of Latvia in the last several years, it may sound as a very general statement with little substance in it. To understand its meaning for the staff and students of the University of Latvia, it must be analyzed in the context of the recent processes at our University and in Latvia in general. Most probably many universities across Europe are expressing their willingness to be a good research university¹¹. In case of the University of Latvia one must keep in mind that Latvia is a country that joined the European Union only in May 2004 and for the University of Latvia to be recognized as one of the leading universities in the united Europe has a special meaning, even a question of pride.

¹¹ A more research-intensive and integrated European Research Area, **Science, Technology and Competitiveness key figures report 2008/2009**, Directorate-General for Research, 2008 Directorate C – European Research Area: Knowledge-based economy EUR 23608 EN

The idea that the University of Latvia in 2019, when we will be celebrating the 100th anniversary not only of the University of Latvia, but of the national higher education in general, must be among the 100 leading universities in Europe, was clearly expressed during the ceremonial Senate meeting when the University was celebrating its 88th anniversary. It was even a bit unexpected how fast this idea, initially facing scepticism at least among some of the professors, became one of the dominating ideas and was enthusiastically accepted as a vision statement for the future development of the University of Latvia.

As the constitution of the University of Latvia, which was adopted by our parliament, states that – the *University of Latvia is a guarantee for the development of Latvia*, the goal to be a leading university of the region, is considered by many also as a task for Latvia in general, to be a developed European country.

Next in our strategic goal document comes the mission statement, which among other things reads:

The success of the University of Latvia is based on the hard work, talent and sharp mind of the employees and students. The University of Latvia cares about professional and creative growth of our students and employees. To achieve this, we combine studies, research, traditions of a classical university and dynamic growth to serve the society with the aim of bringing forth the name of Latvia in the world.

Again, from the experience of personal communication with students and employees of our university, I believe that it can be said that the majority of the people of the University of Latvia in the course of the discussions about our strategy have this inner feeling that the University is a united institution that cares about people who are part of it and that we all together have this mission to serve the society.

On the basis of this vision and mission part of the strategic goals, specific measures in three directions – education, creativity and openness – were written and accepted.

It is always a challenge for such a large university as the University of Latvia to involve large numbers of students and personnel in discussions about such important issues as the strategy of the institution. As it was mentioned earlier, the University of Latvia has 13 faculties, 20 institutes, 10 departments, library, botanical garden etc. Besides the University of Latvia, as an urban university, is located in very many places in Riga and its suburbs. Altogether it is located in 50¹² buildings in more than 40 different locations in Riga, as well as outside the city line. It was decided in the process of communication of our strategy to use as much modern IT based technologies as possible. We regularly placed short videomessages from rector on the University website, used Internet forums to discuss plans. For strategic plan a special discussion site was created and feedback in the form of summaries of the incoming proposals were provided.

How did the Strategic Goals help us practically to make decisions to overcome the crisis? One of the major instruments to implement the strategic goals, of course, is the budget of the institution. When we are forming the yearly budget of the institution, there are always two major things to think about. One is how to increase income in the budget, and, second, how to spend efficiently what we have.

For the income part of the budget it was decided that we need a diverse income structure and in the situation when the state support for the higher education is severely reduced, other options must be used as actively as possible. In the case of Latvia, it was obvious that for several next years such an opportunity to generate additional funding for the university is provided by the European Structural funds, which for higher education are available in two major categories – the European Social Fund and the European Regional Development Fund. It was set as a goal to attract more of these funds. Taking into account the specific requirements for ESF and ERDF projects, the budget of the University for 2009 allocated LVL 400, 000 (EUR 565, 000) for the co- and pre-financing of these project. In the current year 2010 this amount is planned to be increased to LVL 1,000,000 (EUR 1,413,000). To be able to decide, whether a sharp increase in the expenditure part in a very tight budget is appropriate in the Senate of the University, before the debate about the specific numbers of the budget 2010 general strategic priorities were adopted. Namely, the Senate voted that, when preparing the budget for the year 2010, the following

¹² LU Saimniecības pārvaldes dati, 15.02.2010.

budgetary priorities need to be followed, in order to fulfil the strategic goals of the University.

1. To form the budget in a way allowing to preserve employment for the academic personnel that is crucial to achieve our strategic goals.
2. To form the budget in a way allowing to preserve and even increase teaching quality and to improve content and organization of the teaching process.
3. To form the budget in a way facilitating the internationally recognized research.
4. To form the budget in a way allowing to have co- and pre-financing of the projects that are important for the University of Latvia to achieve its strategic goals.

Again at the first glance these seem to be very general statements, but in practice it proved to be a very efficient tool to make decisions about very specific items that we are reducing or leaving untouched in the budget of the University of Latvia.

From the practical point of view, I would like to point out that it is very advisable at the beginning to agree on general principles – priorities of the budget. It is not an easy task and it causes intense debate. At this last stage every participant of the discussions immediately willingly or unwillingly projects each proposal to his or her own department and without these general priorities there is a risk that decisions taken at the first stage at the level of the University leadership (rector, chancellor, vice-rectors, directors) and at the final stage at the Senate Committee for Finance and Budget and at the Senate meeting can be a bit chaotic and do not follow one general line.

One of the challenges for the crisis management is the appropriate academic and administrative structure of the university. What does it mean? It is an administrative structure which provides platform for having a way for all the strategic decisions to be discussed by the personnel and students, to be accepted by their majority and to give a feeling to everybody of the participation in the decision taking process. On the other hand, this structure must be dynamic enough to make a fast and sometimes unpopular decisions possible. At the first moment, it may seem that these are opposite demands from the system that are impossible to fulfil simultaneously. It is true, and the question is – what is the optimal balance of these opposite requirements?

I believe that this is one of the hardest questions. To decide upon the structure of a university, one needs to take into account not only the formal reasons – how many, what is the best hierarchy, who is the best leader, but traditions and corporate culture of the institution as well.

For the University of Latvia to decide upon the administrative structure, the great help was provided by two external audits and one working group formed by the University administration.

The first one was an audit commissioned by the University of Latvia in 2008 from one of the leading in Baltic personnel development companies – *Fontes*. The second one was an Evaluation Report of the University of Latvia, provided at our request by a reputable expert team from the European University Association¹³. This team submitted its final report to the University of Latvia in August 2009. Finally, the third one was provided by the task force formed by the rector of the University of Latvia with a task to evaluate the efficiency of structural units of the University and how efficiently different functions of the University are fulfilled¹⁴. In all three cases reports were publically discussed in one of the main halls of the University and the final texts are available to everybody at the University website.

In addition, leaders of the management team of the University discussed these reports and issues touched upon in the recommendations of these evaluation teams with the advisory board of the University, which is composed of publically well known leaders. Among them are leading figures of the banking sector, two businessmen, a very experienced university administrator from Finland and leading intellectuals.

Some of the main suggestions that are coming from the reports are the following.

¹³ **European University Association Institutional Evaluation Programme. University of Latvia at Riga Evaluation Report, August 2009**, Jürgen Kohler, chair Bente Kristensen Sergio Machado dos Santos Jon Olafur Valdimarsson John L. Davies (http://www.lu.lv/fileadmin/user_upload/lu_portal/dokumenti/parskati-un-zinojumi/University%20of%20Latvia%20Final%20Report.pdf)

¹⁴ LU funkciju raalizācijas un struktūras dabības efektivitāes, Māris Purgailis, Klāvs Bērziņš, Inta Brūna, Rīga – 2009 (Report on the function implementation end structure efficiency at the University of Latvia, Maris Purgailis, Klavs Berzins, Inta Bruna, Riga 2009 (in Latvian, http://www.lu.lv/fileadmin/user_upload/lu_portal/dokumenti/parskati-un-zinojumi/LU%20funkciju%20realizācijas%20un%20strukturu%20darības%20efektivitātes%20novertējums.pdf)

- Significant changes in the internal culture seem inevitable – and hopefully desirable without losing collegiate strength.
- Moving from ad hoc to consciously systematic decisions is important.
- More accurate definitions what the University of Latvia understands by the term of “Research university”.
- What should be the future size and scope, as well as academic profile of the University of Latvia?
- What would be the distinctive defining characteristics and brand of the University of Latvia in the next planning period in comparison with the competitors?
- From now a more top down approach would be needed to provide a clear framework, in which faculties may develop their plans.
- Increasingly strategic orientation of the Senate would be desirable.
- The reduction of the number of faculties seems to be a sound decision for financial, as well as academic reasons.

Currently we are in the process of implementing at least a part of these suggestions in our academic and administrative structures. What is already done during the last half-year – two large teaching departments – the Faculty of Foreign Languages and the Faculty of Philology and Arts are merged to form a new Faculty of Human Sciences. It was a rather complicated process, which required many discussions on faculty level, Senate commissions and University administrations before Senate was finally able to vote on this proposal and to reach agreement on it. Now starting from the year 2010 the new faculty is fully functioning. In the process of consolidating the personnel and budgets of both faculties it was achieved that for the first time in recent years the budget of the faculty is balanced and does not require major investments to keep it functioning.

Another administrative decision that was taken in 2009 and immediately implemented was the relocation of the Faculty of History and Philosophy from its previous location to a new one. Until 2010 this department was located in rented premises in the very centre of Riga. University rented these premises from the State Real Estate Agency. For several years the rent was constantly increasing and in the last years the University of Latvia was paying approximately three times more than the price of the similar floor space owned by the University. Besides, there was not enough investment in the infrastructure of the

building from the State Real Estate Agency. At the same time, due to the decrease in the number of students due to demographical reasons, as well as decrease in the interest of students in Latvia to have part-time classes, it was possible to vacate one of the buildings previously used by the Faculty of Economics and Management.

As a result, it was decided to discontinue the rent agreement with the State Real Estate Agency and to relocate the Faculty of History and Philosophy to the new location. It required certain negotiations with the personnel of the department, but rather soon the mutual understanding was reached and final decision was taken. Currently Faculty of History and Philosophy is already functioning in the new place.

External factors

Although the autonomy of higher education institutions from the state in Latvia is guaranteed by the law, a strong interaction with the Cabinet of Ministers and the Ministry of Education and Science is still necessary. And it concerns not only the funding that we receive from our government and the contract that we have with the ministry which specifies how many graduates in different study programmes we will have at the end of the academic year. It includes the whole scope of interaction between higher education institutions and the society in general.

It is obvious to the leadership of the University of Latvia that the number of higher education institutions in the country is too large. It is clear that with limited resources in Latvia it is impossible to sustain the current number of 18 state-funded higher education institutions (including six universities). In this discussion, we mean by resources not only funding, but academic personnel as well. It is clear that funding possibilities in the not so distant future will be improving again. Nevertheless, the number of highly qualified academic personnel cannot be increased rapidly. Currently in all the 34 higher education institutions in Latvia we have around 6000 of academic staff. Only around 40 percent of them have academic degrees equivalent to PhD or higher. For comparison, it can be mentioned that our neighbouring universities, such as Helsinki University, Heidelberg University, Uppsala University or Charles University in Prague, have around 4000 members of academic personnel each.

What would be the way to overcome this problem that the crisis is making very well pronounced? Most probably we do not want to decrease the availability of higher education or to move it away from the regions of Latvia and to concentrate it in only one city – Riga.

The way that should be discussed is the reduction of study programmes that very often are taught by different state-funded higher education institutions in the same geographical region. For example, from the official annual report provided by the Ministry of Education and Science, business administration is taught simultaneously in 12 state funded higher education institutions, the computer science in 10, and the list of such cases can be continued. Again, it does not mean that only one of the same teaching programmes should be left. It simply means that quality, regional distribution, resource availability etc. should be assessed in each of these fields and a decision about some structural changes must be made.

The same arguments apply to doctoral studies. If we are looking only at the state-funded higher education institutions, 15 of them (out of 18) offered doctoral studies in academic year 2009/2010 exist. From these data it is clearly seen that there is a fragmentation of resources in doctoral studies that lead to inefficiency. Currently there are available data about doctoral degrees obtained in the academic year 2008/2009. It appears that doctoral theses in that year were defended only in 8 higher education institutions and the total number of defended theses was only 174 (80 of them at one university – the University of Latvia). In comparison, it can be mentioned that according to the Carnegie Foundation data in the year 2000 only 7% of higher education institutions were granting doctoral degrees¹⁵. As we saw above, in Latvia almost every institution is granting doctoral degrees. A similar proportion of doctoral degree granting organizations can be seen in Europe as well¹⁶. I believe that it can be said with a high level of confidence that the extremely low number of defended degrees is a direct consequence of this fragmented process.

¹⁵ A technical report, *The Carnegie Classification of Institutions of Higher Education*, 2000 edition, With the foreword by See S. Shuman, The Carnegie foundation for the advancement of teaching

¹⁶ The governance and performance of universities: evidence from Europe and the US
Philippe Aghion, Mathias Dewatripont, Caroline Hoxby, Andreu Mas-Colell and Andre Sapir This paper was prepared for the April 2008 Panel Meeting of Economic Policy in Brussels, Economic Policy January 2010

It would not be honest to say that there is no exist classification of higher education institutions in Latvia. We have universities, academies, colleges and higher education institutions that do not belong to any of these types, which we call higher education schools (*augstskola* in Latvian). What most probably is missing is the clearly stated policy about differences in study programmes, funding priorities, research government support in these different kinds of institutions. It is not clearly stated and implemented in the operation policy what is the mission and what the government expects from the classical type of universities (only one such university currently exists in Latvia – the University of Latvia), universities that are focused primarily on one specific field like technical, agricultural or medical universities. What is expected from regional universities and regional higher education institutions etc.

All what is written above means that it is very hard to imagine that it would be possible to make one university to function efficiently and to follow high standards in higher education if the system itself is not improved.

This led to a decision made by the leadership of the University of Latvia in the middle of 2009 that something must be done to initiate changes in the system of higher education in general. After some initial discussions with political forces in Latvia, a letter rising concerns about the quality and organizations of higher education was written and several people, well recognized in the society, were invited to sign it. The two first signatures were from two former presidents of Latvia – Mr. Guntis Ulmanis and Prof. Vaira Vīķe-Freiberga. This letter was sent to Prime Minister Valdis Dombrovskis. As it was expected, an immediate reaction from the Prime minister's office followed and the task group was established. This task group had two co-chairpersons – the minister of education and science and the minister of economics. Among members of this task force were the minister of finances, rectors of higher education institutions, representatives of industry and other experts.

The task given to that group was to analyze the existing situation, indicate problems and possible solutions and to prepare an informative report to the Cabinet of Ministers. The process how this task was performed showed all the problems that the higher education system faces. Namely, the fragmentation of system and narrow interests of higher

education institutions were clearly seen in the opinions presented by different rectors. But probably the main problem was the lack of vision from the Ministry of Education and Science and unwillingness and incapability to lead the reforms.

Nevertheless, with the help of the Commission for Strategic Analysis at the President of Latvia Office, which was represented in the task group by the head of this commission, Dr. Roberts Kīlis, and by rector of the University of Latvia Prof. Mārcis Auziņš, at least partially the task was successfully accomplished. In this informative report the fragmentation of the system and the goal was shown – establishment of at least one research university in Latvia.

Along with the creation of this information report, the task group initiated another process in Latvia, which is equally important. This is a wide and open debate about the higher education system in Latvia, its structure, governance and, what is most important quality of education?

The information report has been submitted to the Cabinet of Ministers, accepted and a task has been given to the Ministry of Education and Science, to submit to the Cabinet of Ministers until May 1, a detailed plan for the reforms in higher education and science. Most probably this is one of the crucial stages for the changes in the higher education system and again the University of Latvia has found a possibility to be very actively involved in the process of preparing this plan. There are several mechanisms how to provide this involvement. The first and most efficient way is participation of the rector of the University of Latvia in the Commission of Strategic Analysis at the President's office. The Commission has already expressed to the Ministry of Education and Science the President's personal interest in the reforms of higher education and presented the mandate given by the President to the Commission to be involved in the preparation of the plan of the reforms.

Another important issue to guarantee the success of this reform plan is making the higher education system in Latvia more comparable with Europe. For that, the University of Latvia has facilitated the assistance in these processes from the European University Association. During the visit of the President of the EUA, prof. Jean-Marc Rapp, and his colleagues – Secretary General of the EUA Lesley Wilson and member Tadeusz Luty in

Latvia in November 2009 and their meeting with Prime Minister Valdis Dombrovskis, the principal agreement was reached that the EUA can send to Latvia an expert team to look at our higher education system. Now it can be agreed that, as part of this assistance, EUA experts would be able to come to Riga and look at the pre-final form of the working plan before the ministry submits it to the Cabinet of Ministers.

Besides there is a preliminary agreement reached by the President's Commission for Strategic Planning with the British Council Latvia that there is a willingness from the British Council to help with international experts at the initial stage of preparing the Working Plan.

Conclusions

As it follows from the discussion provided above, the process of changes at the University of Latvia is far from being completed. At some point I had a doubt if it is the right moment to share the current results with a wider community. But, on the other hand, it is clear that in the process of improving the university one cannot expect the final form to be reached. It would mean stagnation. It is a continuous process with many intermediate finishes and with no possibility to make the final finish.

Sometimes, when speaking about difficult times, the Chinese word for "**crisis**" is invoked. It consists of two characters. One of them represents "danger" and the other one "opportunity." Actually, the same is true for the western tradition as well. Thomas L. Friedman, author of *The World is Flat*¹⁷ and *Hot, Flat, and Crowded*¹⁸, said that "a crisis is a terrible thing to waste." It was used in his books in the context of the energy crisis, making the point that sometimes it takes a crisis to get people really adapt to change. It is equally true in the context of the university education as well.

As our experience at the University of Latvia shows, the external environment - national laws, different regulations introduced by the Cabinet of Ministers and the ministry in charge, as well as common attitude of the collegiate bodies, such as the Rectors

¹⁷ Friedman, T.L., *The world is flat : a brief history of the twenty-first century*. 1st further updated and expanded hardcover ed. 2007, New York: Farrar, Straus and Giroux. x, 660 p.

¹⁸ Friedman, T.L., *Hot, flat, and crowded : why we need a green revolution, and how it can renew America*. 1st ed. 2008, New York: Farrar, Straus and Giroux. 438 p.

Conference and the Council of Higher Education, are restricting factors for changes that any institution can introduce internally. This is why it is extremely important in the process of changes to be very active on the national level and to stimulate discussions in the collegiate bodies to, have open and active dialogue with the government. Of course, for large institutions, such as, in case of Latvia, is the University of Latvia, in which almost one percent of Latvia's population studies at the moment have better chances to be heard and understood.

Another thing in a difficult economic situation is to use different sources of income for the university. Apart from the direct state investments in the education, one can mention tuition fees, research projects – national, as well as international, incomes from the research commissioned to the University by the companies, as well as state institutions, and incomes for the services provided to the society by the University. This minimizes the University's dependence from the direct impact of the reduced state subsidies the higher education. It is particularly important because for different reasons it appears that at the time of crisis the state is the slowest in adjusting to the new economic realities and, as a consequence, state institutions are in the most difficult situation during the crisis.

When thinking about internal changes in the institution that are necessary to overcome the economic and social hardships caused by the crisis, for a large university like the University of Latvia in a small country like Latvia an external view is very important. Otherwise there is a danger to become complacent simply because your institution is doing reasonably well in comparison with smaller, and often much smaller institutions in your own country and to lose prospective and competitiveness on the regional and international levels. To keep active this feeling of the international aspects, two opportunities can be explored. One is active participation in the regional and international university networks that allow comparing your own institutions with similar institutions regionally and internationally. In case of Latvia, among others, several such networks can be mentioned. For example – the Baltic Sea Region University Network (BSRUN)¹⁹, for which, starting from July 2010, the University of Latvia will be the co-ordinating institution; the Network of Universities of the Capitals of Europe (UNICA)²⁰ and the

¹⁹ <http://bsrun.utu.fi/>

²⁰ <http://www.unica-network.eu/>

European University Association (EUA)²¹. Equally or even more important is to have professional opinion about institutions formed by experts from outside the country. In case of the University of Latvia the institutional evaluation performed in 2009 by the expert team from the European University Association was very helpful.

But the most important part of the crisis management, of course, are changes that the institution is making internally. During the hard economic times employees, as well as students of the institutions feel themselves socially threatened externally and any internal changes in the institution obviously are considered with even greater deal of suspicion than it would be in on other time. This makes the communication of changes even more important than it would be in the absence of crisis.

There is one tactics that improves the chances of successful communication of the changes. Namely, before discussing every major practical changes in the internal structure or procedures at the institution, it is useful to accept and actively communicate the policy documents that outline the general trend of the changes without speaking about immediate practical measures. In case of the University of Latvia, in the academic year 2009/2010 these documents were, for example, the Strategic priorities of the budget for the year 2010 adopted by the Senate of the University one month before debating the University budget, or the Personnel Policy document adopted by the Senate of the University which very broadly outlined what are the main qualities which the University of Latvia expects from the personnel. This makes all the further very practical measures more clear and understandable for the students, academics and other categories of the personnel of the University.

Currently at the University of Latvia we are updating and working at the revision of the strategic plan for the University of Latvia for the next 10 years.

Unfortunately, it is clear that at the time when all the resources are very limited it is difficult to imagine that the University will be able to perform very rapid large scale reorganization projects. All such changes require substantial investments. But it does not mean that serious changes cannot be implemented in order to improve administrative

²¹ <http://www.eua.be/>

structures and academic organization of the University. For that a rather detailed strategic vision is necessary, such as can be provided by the strategic plan.

The strategic and policy documents are important for another reason as well. At least in the case of the University of Latvia it appeared that during the crisis cost issues of university education are becoming dominant and the education quality issues are pushed to the background. It is easy to understand that the question what education an individual can afford is dominating. There is a serious that the question, what are the quality standards of the education that ensure competitiveness of an individual on the labor market nationally, as well as internationally is easily forgotten? To overcome this problem, the strategic documents are important as well.

And the final part that I would like to mention is the question of common identity of the University. At the time of economic hardship there is a risk of developing unhealthy competition among faculties of the University for the resources and for the students. By unhealthy competition I mean such a competition that goes against the common strategy of the University. For example, some faculties may have specific rules, different admitting criteria for the first year students, specific grants, tuition fee policies (discounts for certain groups of students) to attract more students that potentially would be willing to study in some other faculty.

Until this competition is not exceeding some acceptable level, it is stimulating and healthy. It makes faculties to improve their academic standards and management efficiency. Unfortunately, to define this acceptable level is a rather complicated task. One thing that can help a lot is a process which I would call – “common identity building”. I mean common identity feeling for the University as a whole. This identity building process is again largely a communication process of the common vision, mission and development goals of the University as a whole.