

Risk and Crisis Management: The Case of the University of Latvia



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During the five years following Latvia's admission to the EU in May 2004 Latvia experienced very rapid economic growth. The amount of the funds that the state invested in universities in 2005 in comparison to the year before was increased by 36 percent, in 2006 by 36 percent, in 2007 by 52 percent, in 2008 by 5 percent. Then in the beginning of 2009 already approved budget for higher education in several steps was cut by 48 percent. For higher education institutions that were used to the previous growth of investment, this decrease in 2009 was a shock, economically as well as psychologically. This paper, using the University of Latvia as an example, analyzes how the higher education institutions in Latvia coped with these cuts, managed to preserve the study places and maintain quality of higher education.

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Economic crisis and significant budget cuts for higher education

1. Introduction

At the end of 2008 and in 2009 many other European countries faced serious economical difficulties. Nevertheless, the depth of this crisis was different in different countries and decision on how to cope with the crisis were also different. In Latvia, the budgetary cuts for the higher education were one of the severest if not the most severe in all of European Union. To illustrate this, it suffices to say that the initially approved state contribution to the budget of the University of Latvia at the end of 2008 was cut by 48 % in several steps during 2009.

This article will present a case study on how the University of Latvia handled this situation. In the first section of the paper a very brief and general introduction to the University of Latvia is given. In the second section the historical development and current governance structures of the higher education system in Latvia are discussed. The third section gives an overview of how the economical crisis of 2009 influenced the higher education system in Latvia in general and the University of Latvia in particular. Section four shows what was done internally at the University of Latvia in the attempt to preserve the core of academic personnel and to continue to offer students a competitive university education under these difficult conditions. Section five of the paper looks at how the University of Latvia was involved and stimulated political processes in Latvia in the field of higher education and science policy. The final section of this paper presents the main conclusions that can be drawn and lessons that can be learned from this particular case study.

2. What crisis?

The University of Latvia is the country's largest university at the moment. In other Baltic countries, only the Vilnius University has a similar size in terms of number of students. The University of Latvia is the only university of the so-called classical type in Latvia. Its scope of studies and research covers all areas of academic activities – natural sciences, social sciences, humanities, medicine and teacher training. The only field of limited development at the University of Latvia is engineering, which is largely covered by the Riga Technical University. Due to size and academic scope, there were around 21 000 students in 13 faculties at the University of Latvia in February 2010, with research being conducted in 20 research institutes. Altogether, the University of Latvia employs 864 members of the academic staff and 1666 members of the support staff¹.

¹ Data from the University of Latvia Personnel Department.

Theory states that a rapid economic development is always 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 a particular country and influences the life of higher education institutions in that country, it rather often appears that these institutions are not fully prepared for the consequences. This is precisely the situation in which Latvia was at the end of 2008.

Are higher education institutions prepared for the consequences of economic crisis?

To understand the current processes that are happening in the higher education in Latvia one needs to put things into a historical perspective and understand key features of governance of the Latvian higher education system.

3. Background

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, less than one year after the foundation of Latvia as an independent country.

At that time, the main goal was to develop national higher education in Latvia and to establish national research infrastructure. This goal was successfully achieved and in the following several decades, essentially until the beginning of World War II, the modern higher education system with successful research activities in many fields important for the new country flourished in Latvia. After WWII, during the Soviet times, higher education system moved towards the development of specialized higher education institutions. Engineering education was separated from the University of Latvia and Riga Polytechnic Institute was established in 1958. Medical education was taken away from the University and a separate school – Riga Institute of Medicine – was created in 1950. Teacher education was mainly organized in the so-called pedagogical institutes.

The new stage in the development of the higher education in Latvia started when in May 1990 Latvia regained independence from the Soviet Union. This state could be characterized as a rather unregulated free-marked-driven development of a system. That was the time of fast changes. At that time, issues like governance, professional administration, planning, and strategy were not top priorities. The key issues were democracy and decentralization. On the downside, due to economic reasons, during the first several years of independence, a

Fast changes, focusing on democracy and decentralization

number of highly educated and professional people left higher educational institutions and changed their occupation. They got involved in politics, started own businesses etc.

Increase autonomy and rise of the private sector

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

Proliferation of higher education institutions

After these changes were introduced, only a small number of highest-scoring students received public funding for higher education, but the majority had to pay full tuition fees. As a result, higher education institutions found themselves in a very convenient time for transformation into modern education, research and culture establishments. The number of higher education institutions started to grow rapidly. If in 1991 there were 10 higher education institutions in Latvia, than by the mid-2000s there were already about 60 such institutions. Many of these newly established institutions were private ones with no or very little public investment. Most of the private higher education institutions offered study programmes in social sciences and, as a result, according to the Ministry of Science and Education of Latvia, currently more than 55 % of graduates from higher education institutions in Latvia are in social sciences. 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 projects (Rauhvargers, 2001) and other international resources.

Three cycle studies introduced already in 1995

In 1995, the Law on Higher Education institutions was adopted and, although it was amended several times, it is still the main regulatory document for higher education, which guarantees autonomy for higher education institutions. Already in 1995 three study cycles were established in Latvia through this regulation: bachelor, master and doctoral studies. A clear distinction was established between academic degrees and professional degrees (both bachelor and master), the latter emphasizing practical training as part of the learning process.

3.1 Overview of the system-level higher education governance

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 of the higher education institutions report to the Ministry of Science and Education. 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 the Ministry of Defence as well. As a result, very similar study programmes 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). As a result, although formally, the same principles for funding of similar study programmes and quality assessment are used in different ministries, in fact it appears that studies in similar programmes are funded differently. A very clear example of this unequal attitude are the recent funding cuts for higher education during the financial crisis of 2008 – 2009. The percentage of state funding cuts for higher education institutions subordinate to different ministries ranged from 20 % to 50 %, with the University of Latvia experiencing a cut of 48 %.

After 1990, the total number of students has increased almost four fold, but the number of students funded by the state has increased very little – most students even in the higher education institutions funded by state are paying full tuition fee. Since the state was not able or willing to fund all of those who wanted to obtain higher education, substantial number of private institutions were established. Currently we have 13 private higher education institutions in Latvia granting bachelor and master degrees, and 8 colleges granting two-year first-level higher education diplomas.

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 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.

**Funding based
on contracts**

The Ministry of Education and Science is responsible for coordination, licensing and accreditation of study programmes in all higher education institutions in Latvia without distinction to what ministry this institution is subordinate to. The quality assessment pro-

cedure determined by the Law on Higher Educational Establishments is important to ensure the quality of higher education study programmes and institutions. Practically this task of licensing and accreditation is delegated to the Higher Education Quality Evaluation Centre (HEQEC). HEQEC does not have to establish or implement state policy in higher education but only looks in each particular study programme submitted for accreditation assessing it as a stand-alone programme without looking into the systemic issues. In the view of the autonomy of higher education institutions and the limited ability and willingness to influence their development processes by state, 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. The assessment procedure is international and the presence of foreign experts is required.

An incomplete and somewhat contradictory regulatory framework

Currently along with the Law on Higher Education Establishments specific aspects of higher education are regulated by the Education Law passed in 1998. The regulations of the higher education are also provided in the Vocational Education Law passed in 1999 and other laws, for instance, the Law on Scientific Activity. Apart from the above-mentioned laws, there are also a lot of secondary acts regulating the higher education in Latvia. Unfortunately, the above-mentioned 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 of higher education institutions and facilitate their activity.

3.2 Overview of system growth and system funding

Significant increases in funding of higher education until 2009, although still below average investment

During the five years following Latvia's admission to the EU (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 to the year before was increased by 36 %, in 2006 by 36.3 %, in 2007 by 51.6 % and in 2008 again by 4.5 %. 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 2008². 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 % of its GDP on higher education, which was one of the lowest percentages spent on higher education in the entire

² <http://izm.izm.gov.lv/registri-statistika/statistika-augstaka.html> (retrieved 18 February 2010).

European Union. According to the data of the European Statistics Committee, the average percentage of GDP spent on higher education in EU is 1.2 %.

Another peculiarity of the higher education system in Latvia which is essential to contextualize the issue adequately 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), there was no adequate public funding to match these numbers. The intensive growth in the number of students occurred after 1990, when Latvia regained independence; for comparison, in 1990 there were only 46 000 students in Latvia, which meant 172 students per 10 000 inhabitants. In contrast, in the year 2006 Latvia had 566 students per 10 000 inhabitants³. However, studies of only one quarter of the total student population were funded by the state. Three quarters paid for their education themselves and, what especially should be stressed, paid full tuition fee. 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, i.e. when comparing internationally, according to the data released by Eurostat in 2009, the average funding 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 (European Commission, 2009), which have lower economical indicators than Latvia has, then it can be considered as a reflection of the state policy for higher education.

To accommodate this large number of students, the number of higher education institutions had been growing at a high speed. So, while in 1990 there was only one university in Latvia – the University of Latvia and seven more higher education institutions⁴, today there are 34 higher education institutions, not including colleges. Among them six qualify as universities. Currently the criteria for the universities are defined in the Law on Higher Education institutions. When institutions believe that they qualify for the status of a university they initiate changes in the Constitution of the institution and submit it to the respective ministry. Ministry has the right to decide to further submit this new version of the Constitution to the Parliament for approval or reject it. It is worth mentioning that constitutions of all higher education institutions in Latvia should be accepted by the Parliament. Out of

³ <http://izm.izm.gov.lv/registri-statistika/statistika-augstaka/2007.html> (retrieved 18 February 2010).

⁴ Academy of Agriculture, Academy of Medicine, Riga Polytechnic institute, Academy of Fine Arts, Conservatorium and two pedagogical institutes in Daugavpils Pedagogical institute and Liepaja Pedagogical institute.

31 institutions, 18 are funded by the state. 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 a state funded institution among other consequences meant that all the money that an institution has, including the money obtained as tuition fees or different type of commercial and academic projects, is considered a part of the state budget. For reasons of fiscal practice this means 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 since the state institutions are 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?

3.3 Emergence of crisis in 2009

It is in this context of the overall national system and of quantitative status that the crisis of 2009 hit, which was solely induced by factors outside the remit of the higher education sector. Initially, the higher education budget already approved by the Cabinet of Ministers for the year 2009 was reduced by 25 %. Then, when the higher education institutions with varying success managed to accommodate these changes and to create viable plans for the budgetary year, in June 2009 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 compared to the 2009 budget as it was initially planned and accepted.

Significant funding cuts also had a bad timing

What created even more serious problems was the timing of the 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 and 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 was this a problem? From the beginning of 2009, institutions spent per month on average one twelfth of the funds available for the year. This spending was largely on salaries only, because the money available for development was significantly reduced already. 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 needed to be managed during 2009, and the process is ongoing also during the current year 2010.

The year 2010 started with further cuts of Latvia's higher education budget. On average, the budget for higher education was reduced by further 18 %. 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 % reduction.

**Budget cuts continue
in 2010**

4. Crisis management at the University of Latvia

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, as compared to 47.5 LVL in 2008 before the crisis started. The largest portion of the budget is constituted by self-generated income (38 %) from tuition fees and different other activities that generate money for the University. The second largest portion for the year 2010 comes from the European Structural Funds (28 %) and only 20 % comes from the state. It is interesting to note that diversification of income sources and reduction of dependence on the state funding was one of the strategic goals which for the University. To a certain extent, despite the currently bleak economic situation, this allows for an optimistic outlook.

**Diversification of
income: state support
only 20 %**

What was done during the last year and in the previous period at the University of Latvia that allows us look ahead with cautious optimism? In short:

**Shared vision and
mission coupled with
practical strategies**

- ensuring a joint vision for the institution based on sharing a strong concept of mission, coupled with
- clear practical strategies and measures.

4.1 Mission, vision and communication

To consider the first factor: roots of a crisis do not come from the economy, but start in people's minds, from our attitudes towards the processes that are occurring in the economy and the society. If there is a sense of mission which members of the university and the general public share, if there are well defined common goals for the academic personnel and students, then it is possible to communicate and endorse very tough decisions that are necessary during the economic hardship and to unite university personnel and students⁵ behind these actions.

Sense of community, efficiency of decision-making structures, good communication and energetic leadership – key to success

In that respect, it is fair to say that the University of Latvia was actually rather well prepared to face this crisis. It had the main elements that maintain a sense of community in place. It had an active Council of the Deans, an efficient Senate committees that dealt with specific issues of the University life, such as: strategy, academic affairs, budget and finances and finally, statutory issues. And last but not least, there were well-established communication channels and sense of common goals shared by the Senate committees and the leadership of the University. Besides, the newly appointed chancellor of the University, whose main duty was to supervise the finances of the University, was a rather knowledgeable and energetic person, well suited for the difficult job at hand.

Vision: leading research university in the region

When it comes to strategic document, when it was realized that the crisis will hit the university hard, in December 2008 the Senate of the University of Latvia unanimously adopted a set of new strategic goals. In spring 2010 the detailed strategic plan was in place and adopted by the Senate. The broad vision for the future development of the University was defined as

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.

Naturally, if taken out of the context and processes that were taking place in the University of Latvia, the vision may sound as a very general statement with little substance to it. However, 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 the University and in Latvia in general. Many universities across Europe are expressing their willingness to be a good research university (DG Research, 2008). Yet, given that Latvia joined the EU only in May 2004 for the University of Latvia to strive for recognition as one of the leading universities in the united Europe has a particular meaning, and is actually a question of national pride.

⁵ Sometimes the members of the university community refer to the university as *saimē*, which means "family" in Latvian.

The idea that the University of Latvia in 2019, when it 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 met with 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 of 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, that can contribute to its full development in line with other leading EU countries.

On the basis of such vision, the mission statement was developed, and, amongst other things, includes the following:

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.

**Mission:
professionalism,
creativity, growth in
teaching, learning
and research**

On the basis of this vision and mission part of the strategic goals, specific measures in three directions – education, creativity and openness – were developed. These measures were actively discussed in all Senate committees and wider University community. In all these discussions students represented by the Student Council were involved and at all stages supported these developments.

It is always a challenge for a large university, such 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, a library, botanical garden etc. Besides, the University of Latvia, as an urban university, is spread throughout Riga and its suburbs: altogether it is located in 50 buildings in more than 40 different locations in Riga, and outside the city borders. Therefore, to ensure adequate participation of all interested parties, the communication relied heavily on ICT, such as short video messages from the Rector on the University website, Internet forums, special website for the discussion of the new strategic plan which also allowed for feedback.

**Communication key
to ownership**

4.2 Budgetary consequences

However, upon defining the mission and vision and ensuring a strong sense of ownership through the academic community, the following questions become relevant: how did the strategic goals help the university to overcome the crisis?

Implementing the strategy through budgetary decisions

One of the major instruments to implement the strategic goals, of course, is the budget of the institution. Two things come to mind when budgetary decisions are made:

- how to increase the income, and
- how to spend efficiently.

As far as the increasing income is concerned, and given the significantly reduced state support, it was decided that a diversified income structure is needed, i.e. that other options must be used as actively as possible. In the case of Latvia, for several coming years such an opportunity is provided by the European Structural Funds, which for higher education are available in two major categories – the European Social Fund (ESF) and the European Regional Development Fund (ERDF). 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 projects. In 2010 this amount is planned to be increased to LVL 1,000,000 (EUR 1,413,000). To decide whether such a sharp increase in expenditures in a very tight budget is appropriate, the Senate of the University determined that the budget should be formed in such a way as to:

Basic principles for the budget development

- preserve employment of academic personnel,
- preserve or increase quality of teaching,
- facilitate internationally recognized research,
- allow co- and pre-financing of the projects important for achieving the strategic goals.

Again, at the first glance these seem to be very general statements, but in practice they proved to be a very efficient tool to make decisions about very specific items in the budget.

From the practical point of view, it should be pointed out that it is very advisable at the beginning to agree on general priorities for the budget. It is not an easy task and causes intense debate. In the last stage, every participant of the discussion, consciously or not, projects each proposal to his or her own department and assesses the consequences. Without these general priorities there is a risk that decisions taken in the first stage at the level of the University leadership (rector, chancellor, vice-rectors, directors) and decisions taken in the final stage at the Senate Committee for Finance and Budget and at the Senate meeting itself do not align.

4.3 Adequate decision-making structures and processes

One of the challenges of crisis management is having in place an appropriate academic and administrative structure of the institution. What does “appropriateness” mean? It is an administrative structure which provides platforms for adequate participation of personnel and students in decision-making on all relevant issues. This structure must be dynamic enough to make fast and sometimes unpopular decisions possible.

At a first glance, it may seem that these are contradictory demands that are impossible to be fulfilled simultaneously. Therefore, the question actually becomes: what is the optimal balance of participatory and dynamic character of decision making? To decide upon the structure of a university, one needs to take into account not only the structures, but also the traditions and culture of the institution.

In this stage it was decided that in order to make administrative structures more efficient certain changes were obviously needed and external experts were consulted in this process. They were necessary first and foremost, for adequate identification of problems. Internal actors get used to certain structures and processes and are not always capable of seeing where the bottlenecks are. Secondly, given the difficulty of the decisions to be made, the community of students and academic staff may trust more the input of external, disinterested actors, then the input of the local administration or the Senate committees. Two external audits were organised. The first one was carried out by one of the leading Baltic personnel development companies. This company looked at the central administrative structures of the University governance – Rector’s office as well as administrative, academic and management departments. Faculty administration was not analysed. The second audit one was done by experts of the European University Association. The University in general and its administration, as well as the faculties were scrutinised. Site included intensive discussions with administration, teaching and research academic staff and students. The final evaluation report to the University of Latvia in August 2009.

Combination of external and internal evaluation to support change

Finally, an internal evaluation was conducted by the special task force formed by the Rector of the University of Latvia, with an aim to evaluate the efficiency of structural units of the University (Purgailis et al., 2009). Reports from all three evaluations were publicly discussed and made available through 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 publicly well-known leaders. Among them are leading figures of the banking sector, two businessmen, a very experienced university administrator from Finland and leading intellectuals.

**Key suggestions:
restructuring, more
strategic decision
making, clarification
of goals**

Some of the main suggestions that came from the reports are:

- Significant changes in the internal culture seem inevitable – and hopefully desirable without losing the strength of collegiate decision making;
- It is important to move from ad hoc to systematic decisions;
- A more accurate definition of what is meant by “research university” is necessary;
- The future size and scope, as well as academic profile should be in the focus of discussion, especially in terms of distinctive defining characteristics and brand of the University of Latvia in comparison with the competitors;
- A more top-down approach to decision-making would be needed to provide a clear framework in which faculties may develop their own development plans;
- The Senate should have a stronger strategic focus when making decisions;
- For financial and academic reasons, decrease of the number of faculties is necessary.

**Restructuring through
mergers**

At present, the academic and administrative structures of the university are in the process of implementing part of these suggestions. What has already been done are mergers of two large teaching departments – Faculty of Foreign Languages and Faculty of Philology and Arts – into the new Faculty of Human Sciences. This was a rather complicated process which required many discussions on the level of faculties, Senate commissions and University administrations, before Senate was finally able to reach agreement on this proposal. The new faculty is fully functioning as of 2010. In the process of consolidating the personnel and budgets of both faculties, for the first time in recent years the budget of the faculty has been balanced and did not require major investments to keep it functioning.

**Cutting costs through
relocation**

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. The 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 a 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 (primarily for 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 terminate the rent contract with the State Real Estate Agency and to relocate the Faculty of History and Philosophy to the new location. This decision was made by the rector and carried out by his office. According to the internal regulations of the University this decision did not require Senates voting but, certainly, it required communicating its necessity to the personnel of the department. This process was done efficiently and rather soon the mutual understanding was reached and final decision was taken. During the Christmas break the relocation of offices and lecture halls was executed by the University Director's office (responsible for the real estate management). A festive ceremony of the relocation, with participation of the Rector, faculty Dean and students was organized. Currently the Faculty of History and Philosophy is already functioning in the new premises.

5. Interaction with 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. It concerns not only the funding that is received from the government but the whole scope of interaction between higher education institutions and the society in general.

5.1 Institutional streamlining

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, in terms of both funding and academic staff, it is not possible to sustain the current number of 18 state-funded higher education institutions (including six universities).

While the funding possibilities in the not so distant future will improve, the number of highly qualified academic personnel cannot be increased rapidly. Currently, in the 34 higher education institutions in Latvia there is around 6,000 of academic staff. Approx. 40 % of them have academic degrees equivalent to PhD or higher. For comparison, Helsinki University, Heidelberg University, Uppsala University or Charles University in Prague, have around 4,000 members of academic staff each.

Different funding mechanisms for different types of higher education institutions

So, the next question is: how can this shortage of academic staff be overcome? Decreasing access to higher education or concentrating higher education institutions in Riga is not desirable. However, different types of higher education institutions with their specific missions should be precisely and clearly defined. Latvia needs different types of institutions (research universities, regional higher education institutions, specialised institutions) and there should be different funding mechanisms as well. The diversity in funding approaches is necessary to address the differences in expenditures related to, for example, PhD studies as compared to bachelor study programmes in different regions, as well as the differences in performance.

5.2 Coherence of study programme provision and quality stratification

When it comes to the coherence of study programme provision, what should be discussed is the reduction of study programmes taught by different state-funded higher education institutions in the same geographical region. For example, from the official annual report of the Ministry of Education and Science, business administration is taught simultaneously in 12 state-funded higher education institutions, the computer science in 10, etc. This does not mean that only one programme in a given field should be left. It simply remain, but that quality, regional distribution, resource availability etc. should be assessed in each of these fields and a decision about some structural changes should be made.

Fragmentation of the doctoral studies and consequences for quality

The same arguments apply to doctoral studies. When it comes to the state-funded higher education institutions, 15 of them (out of 18) offered doctoral studies in academic year 2009/2010. From these data it is clearly seen that there is a fragmentation of resources in doctoral studies that may lead to inefficiency. For example, doctoral theses in 2008/2009 were defended only in 8 higher education institutions and the total number of defended theses was only 174 (80 of them at the University of Latvia). In comparison, in 2000 only 7 % of higher education institutions in USA were granting doctoral degrees (The Carnegie foundation for the advancement of teachign, 2001). A similar proportion of doctoral degree granting organizations can be seen in Europe as well (Aghion et al, 2008). It seems that the extremely low number of defended degrees in Latvia is a direct consequence of the fragmented of the PhD studies.

Although the institutions in Latvia can be classified as universities, academies, colleges and the so-called *augstskola* (higher education institutions that do not belong to any of these types), what seems to be missing is a clear policy about differences in study programmes, funding priorities, research government support etc. It should be clearly formulated 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.

5.3 Moving the political system

From the previous discussion it is obvious that it is rather demanding to ensure efficiency and quality in higher education institutions if the system itself does not improve. All higher education institutions are interconnected via state laws, government regulations, contracts with the Ministry of Education and Science and quality assurance and licensing and accreditation system. Even more importantly, in a small country like Latvia higher education system is often perceived as a system with higher education institutions as its elements, and not necessarily as independent institutions.

In an attempt to initiate system level changes, the University of Latvia, after some initial discussions with political forces in Latvia, invited several people, well recognized in the society, to sign a letter raising concerns about the quality and organizations of higher education. The two first signatures were from the two former presidents of Latvia and the letter was sent to Prime Minister. As it was expected, an immediate reaction from the Prime Minister's Office followed and a task group was established. The task group involved officials at the highest level, the Minister of Education and Science, the Minister of Economy, the Minister of Finance, rectors of higher education institutions, representatives of industry and other experts.

Establishing the task group for analysis of the existing situation in HE

The task given to that group was to analyze the existing situation in higher education and research in Latvia, indicate problems and possible suggestions for improvement. As a result, the White paper to the Cabinet of Ministers was expected. However, the working of this task force merely demonstrated all the problems that the higher education system is faced with. Namely, the fragmentation of the system and narrow interests of higher education institutions were clearly seen in the opinions presented by the different rectors. Initially, a rather compact task force, consisting of 12 members ready to make radical suggestions was soon expanded to include rectors of three additional institutions. The conflicting interests of different participants in this task force became obvious and the ability to suggest efficient solutions was essentially lost. However, the main problem seems to be 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 Dr Roberts Kīlis, Head of this commission, and Prof. Mārcis Auziņš, Rector of the University of Latvia, at least partially the task was successfully accomplished. In this White Paper 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 equally important process for Latvia: a wide and open debate about the higher education system in Latvia, its structure, governance and, most importantly, quality of education.

The White Paper

The White Paper was submitted and accepted by the Cabinet of Ministers and the government gave a task to the Ministry of Education and Science to submit to the Cabinet of Ministers a detailed plan for the reforms in higher education and science by May 2010. This is a crucial stage for changes in the higher education system. The University of Latvia again assumed a pro-active role, amongst other, through participation of the Rector 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. I believe that the economic difficulties and the necessity to consolidate the state budget served as a direct stimulus for the government to look into the higher education and science structure and management and to try to find ways to improve these sectors of state economy. On the other hand it forced the higher education institutions affected by the severe budget cuts to look into the system themselves to see if it is efficient enough.

Assistance of the EUA

Another important issue in the process of changes is making the higher education system in Latvia more comparable to other European countries. For these reasons, the University of Latvia facilitated the assistance of the European University Association (EUA) in the reform processes, by enabling a meeting between the leadership of EUA and the Prime Minister. A principal agreement was reached that enabled the EUA to send an expert team to Latvia to evaluate the higher education system. Besides, there is a preliminary agreement reached by the President's Commission for Strategic Planning with the British Council in Latvia that there is a willingness from the British Council to help with international experts at the initial stage of preparing the Working Plan.

6. Conclusions

As it follows from the information provided above, the process of changes at the University of Latvia is far from being completed. Although there could be doubts that this may be the right moment to share the current results with a wider community, it is clear that in the process of improving the University one cannot expect the final form to be reached. This would mean stagnation. Change 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* (Friedmann 2007) and *Hot, Flat, and Crowded* (Friedman 2008), 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 to adapt to change full. This is equally true for higher education.

As the experience of 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 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 an open and active dialogue with the government. Of course, large institutions, such as the University of Latvia, in which almost one percent of Latvia’s population is studying at the moment, have better chances to be heard and understood.

Another solution to a difficult economic situation is diversification of income streams. Apart from the direct state investments in the education, this includes tuition fees, national and international research projects, revenue from research commissioned by the private and public sector, and revenue from the services provided to the society. This minimizes the University’s dependence on reduced state subsidies to higher education. This is of particular importance, given that, for different reasons, the public sector is the slowest to adjust to 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 risk of becoming complacent, simply because an institution may be doing reasonably well in comparison with smaller institutions in your own country. To remain active in international aspects, two opportunities can be explored. One is active participation in the regional and international university networks that allow for comparisons with similar institutions regionally and internationally. In the case of Latvia, several such networks can be mentioned: the Baltic Sea Region University Network (BSRUN)⁶; the Network of Universities of the Capitals of Europe (UNICA)⁷ and the European University Association (EUA)⁸. Equally or even more important is to have professional opinion about institutions formed by experts from outside the country.

However, the most important part of the crisis management, of course, is the internal changes carried out by the institution. During the hard economic times employees, as well as students, may feel threatened and any internal changes in the institution obviously are considered with even greater deal of suspicion than it would be in other circumstances. This makes the communication of changes even more important than it would be in the absence of crisis. One tactic can significantly improve the chances of successful communication of the changes: before discussing every major practical change 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 the 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 further practical measures more clear and understandable for the students, academic and other staff of the University.

Unfortunately, at the time of very limited resources 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. However, this does not mean that serious changes cannot

⁶ <http://bsrun.utu.fi/>

⁷ <http://bsrun.utu.fi/>

⁸ <http://www.eua.be/>

be implemented in order to improve administrative structures and academic organization of the University, for example through the development of a clear strategic vision and detailed strategic plan.

Yet, 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. Although it is understandable that the question of affordability of education becomes dominant, this can lead to the situation in which the issue of quality of education, that can ensuring employability in the national and international labour markets, becomes forgotten. For these reasons as well, it is important to develop sound strategic and policy documents, that would address both issues of affordability and quality.

Finally, the issue of common identity of the University should be addressed. At the time of economic hardship there is a risk of developing unhealthy competition for resources and students among faculties of the University, that goes against the common strategy of the University. For example, some faculties may have specific rules, different admission criteria for students, specific grants or tuition fee policies (e.g. discounts for certain groups of students) aimed at attracting more students that would be potentially willing to study in some other faculty. If this competition does not exceed certain 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 and “common identity building”, based largely on an efficient and inclusive communication process of the common vision, mission and development goals of the University as a whole, may prove to be the key to success.

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Biography:

Professor **Mārcis Auziņš** is the Rector of the University of Latvia since August 2007. After completing his PhD in physics (St. Petersburg State University in 1986), he continued his academic and research career at the Faculty of Physics and Mathematics of the University of Latvia, taking administrative positions as Head of the Department of Physics (1997 – 2002), Director of Institute of Atomic Physics and Spectroscopy (1998 – 2003) and Dean of the Faculty of Physics and Mathematics (2002 – 2007). From 1998 till 2007 he was the Chairperson of the Senate of the University of Latvia.

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