

ORGANIZATION OF ROMANIAN UNIVERSITIES ON THE PRINCIPLES OF CORPORATE GOVERNANCE

AVRAM MARIOARA

PROFESSOR PHD, FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION,
UNIVERSITY OF CRAIOVA, CRAIOVA, ROMANIA,
e-mail: marioaraavram@yahoo.com

DRĂGUŞIN CRISTINA-PETRINA

ASSIST. PHD STUDENT, FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION,
UNIVERSITY OF CRAIOVA, CRAIOVA, ROMANIA,
e-mail: cristina_dragusin29@yahoo.com

Abstract

Knowledge society assigns to the higher education an essential role, fully recognized both at EU level and globally. One of the latest challenges in the field of academic education aimed at reconsidering the role of universities in the society, together with improving and reshaping their boards' organization, which means rethinking their internal order by optimizing the organization at all levels, but also by effectively coordinating the funding, administration and resources, education and research management. It seems that the optimal solution is given by the new paradigm, the governance, as an alternative model management system for higher education institutions. The governance is one of the most current approaches in the field and addresses issues related both to higher education institutions and State authorities involved in University education. A review of the university management systems on grounds of the model of corporate governance is a challenging topic of debate by the fact that currently and internally, the concept of governance in the higher education system is still considered difficult to understand and abstract, and its related issues and implications are rather complex and insufficiently treated, discussed and explained by the professional works and publications.

Key-words: Corporate governance, academic education, university governance, university management, globalization.

JEL Classification : H52, H75, I21, I23

1. Introduction

Lately, there has been an increasingly pressing need to modernize the academic education to meet the challenges in the field and particularly to meet compelling changes under the impact of globalization.

Currently, in Romania, the major objective for academic education progress towards modernization is the quality integrator concept, which is intended to reach a level comparable to the level reached internationally. Thus, one of the major changes aims at improving the management process and the management structures from Romanian Universities.

This article is part of a wider research that will materialize into the doctoral thesis entitled "Financial and accounting management in higher education public institutions."

2. Approaches in corporate governance culture

Currently, the term of "guvernantă" is not to be found anywhere in the explanatory dictionary of the Romanian language. However, it is becoming more commonly used as an equivalent for the word "governance" from the English language which means governance, leadership, management, government, wins.

Governance involves both decision making and the decision implementation process. Regarding this issue, according to the authors J.G. Mora and M.J. Vieira, the governance raises questions about who makes the decisions, when the decisions are made and on what. The same authors conclude that "governance is about the institutional capacity to change itself and to properly and in a timely manner change something according to institutional needs". [1]

Corporate governance is explained by Wikipedia's free encyclopaedia as the system by which a company is managed and controlled. [2]

Without conducting an exhaustive historical study, we highlight that the corporate governance expression and its correspondent aspects originated in the United States, where they were discussed since the very beginning of the last century. Relevant corporate governance practices have emerged against the background of capital market development, under the influence of the characteristic features of the American economy. After the corporate governance has gained supremacy in the United States, its concept and practice were taken and treated in the Community Space through the countries of North Western Europe, which started the development of mechanisms and the investment in behaviours for corporative governance.

In essence, **corporate governance** is defined as the totality of relationships between an organization with its shareholders but also with the society as a whole [3]. Society as a whole means all parties that are interested in the evolution and governance of that specific organization, such as: the State, the managers, employees together with the union groups to which they belong, the trading partners (customers and suppliers), financial creditors, and other categories of stakeholders.

Corporate organization requires the separation of investors (owners) from leaders (managers). Accordingly, we consider it necessary to bring to light the diptych leaders - investors to highlight two categories of parties holding a special position:

- **Present investors (owners, shareholders)** - Hold specific rights on the organization as they invest in it (make available the capital contributions) for the purpose of the planned activities.
- **Leaders (mangers or wardens)** - are those who have been entrusted to lead the organization. They act on behalf and for the account of the organization, administrating and managing considerable means.

The investors mandate the leaders, by delegating decisional tasks, which is why some conflicts may occur between the parties. Such conflicts may be resolved through mechanisms such as: the dividend policy, external control systems (external audit), internal control systems (internal control and audit).

In Perez's acceptation, corporate governance is considered, in a way, "managing management" [4], a view that should be addressed in close connection with the notion of "good governance" designating, in our opinion, a participatory and deliberative system for setting and achieving goals, ensuring the most efficient use of resources and having as finality to improve relations between the organization and the various categories of stakeholders.

Thus, the first crystallizations of corporate governance have been developed in relation with the large listed companies. Today, especially under the impact of globalization, there is a clear trend of expanding the governance as alternative model of management, also in other types of entities.

3. Delimitation on the university governance

As we turn our attention towards the field of academic education, in order to define and to explain the notion of **university governance**, we will start with a short review of the approaches provided by the professional literature.

Thus, A. Curaj [5] considers that the university governance represents „all structural and functional arrangements and correspondent processes, at the institution level, through which universities conduct their activities.”

Eurydice says that the governance structure of an academic education institution „shows the manner in which interested parties (including the executive manager of the institution, the personnel, the students, the parents, governmental organisms etc.) communicate with each other: who responds to whom, how they are made responsible and for what”. [6]

If we consider Hirsch and Weber's opinions [7], in academic education, governance refers to „the official or un-official exercitation of authority, taking into consideration laws, policies and rules that establish rights and obligations for various active participants, including the rules that they use to interact.”

On the other side, Mora and Vieira [1], adapting Schimank's [8] vision, highlight five dimensions of university governance that can be found in various percentages in most academic education institutions:

- *State regulations* – a mechanism through which the Government exercises its authority, from top to bottom, establishing the rules that apply in this field;
- *Guidance and counselling from interested parties* since, without a doubt, the Government is not the only party involved in higher education systems;
- *Academic self-governance* - mechanism that amplifies the role of professional organizations specialized in academic education;
- *Managerial self-governance* – through which the role of institutional leadership is emphasized in establishing objectives and decisions making;
- *The competition for resources* that takes place between various higher education institutions.

In our view, in the institutions of academic education, governance means a complex of structures, processes and strategies implemented by the University Senate, on an academic line, and on a management line by the Board of Directors, to direct the activities of the university in order to achieve predetermined objectives,

but also the system by which universities interact with interested parties and how they protect the interests of different categories of stakeholders.

4. Actors involved in university governance

When discussing higher education institutions' governance, one must not neglect the main categories of involved actors. Thus, it is essential to insist on the fact that *university governance is an integrative approach which involves internal aspects, specific for academic and research institutions, and external aspects of stakeholders interested in the higher education processes*. Among the internal parties, involved and interested, we recall: present investors (the state and its institutions or private investors, if case), managers (the rector, the pro-rectors, the general administrative manager, deans, pro-deans, department managers), personnel (the academic staff – didactic and research personnel, auxiliary didactic personnel), syndicate institutions that represent the personnel, but also the students. On the other side, as external parties, we recall: parents, commercial partners, financial creditors, but also the public and the community.

Regarding the **internal** or institutional **governance**, the higher education institutions, as autonomous entities, currently hold the main responsibility for finance governance and management, their activities and personnel. At a pan European level, **external governance** of universities is realized by the tutelary ministry that holds the responsibility and the general authority for academic education. Ministerial responsibilities include: observing university concerning their conformity with valid laws, composing national policies, strategic priorities and development plans on academic education.

In Romania, all universities, whether public or private, are subordinated to the Ministry of National Education that insures, among others, the coordination and observation of the higher education national system. In its approaches, the tutelary ministry is supported by national consultative organisms that analyze community and global currents to elaborate strategies and offer recommendations. Also, each country has a consultative and independent structure that includes the rectors of all higher education institutions. In Romania, this organism is denominated The National Rectors' Council and has as main attributions: compiling proposals on academic education, compiling development strategies and promoting improving initiatives for the higher education. Also, the tutelary ministry can ask for recommendations and counselling from student organizations, union organizations and various researchers. The process of university external governance is influenced also by European projects and policies (we can mention here the EUA – European Universities Association) and by international meetings of executives managers of higher education institutions from a certain region (such as: The Association of Universities from the Carpathian Region, The Meeting of Rectors from the Danube region, the Network of European capital city universities, the Francophone University Agency etc.).

C. Dobrotă [3] observes that the current changes in governance regimes or institutional direction of the academic education system are described as a passing from a traditional self-governance model to a new model through which a re-organization of higher education institutions is attempted, a model of managerial self-governance. According to the classical model of academic self-governance, internal actors (the academic staff) act consensually for establishing paths to follow for reaching established objectives. On the other side, according to the managerial self-governance model, in establishing the strategy, the decisions to be made but also the objectives to be reached, the hierarchic position of leaders or institutional managers becomes clerkly detached (rector, pro-rector, general manager, deans, pro-deans, department managers).

5. The principles of university governance vs. the principles of corporate governance

A good corporate governance is based on specific precise rules, relevant management, administration and control politics and procedures that will generate an added value for organizations and offer them an effective financing.

One organization that focused on corporative governance is the Organization for Economic Cooperation and Development (OECD). In 1999, were adopted the **OECD principles of corporate governance**, principles that become a global landmark for the corporate governance reform. These have a compulsory character and can be implemented through adaption to specific economic and cultural contexts and also, that cumulate a vast experience not only in the OECD area, but also in non-member countries. The OECD corporate governance principles [9], graphically represented in Picture no. 1, refer to:

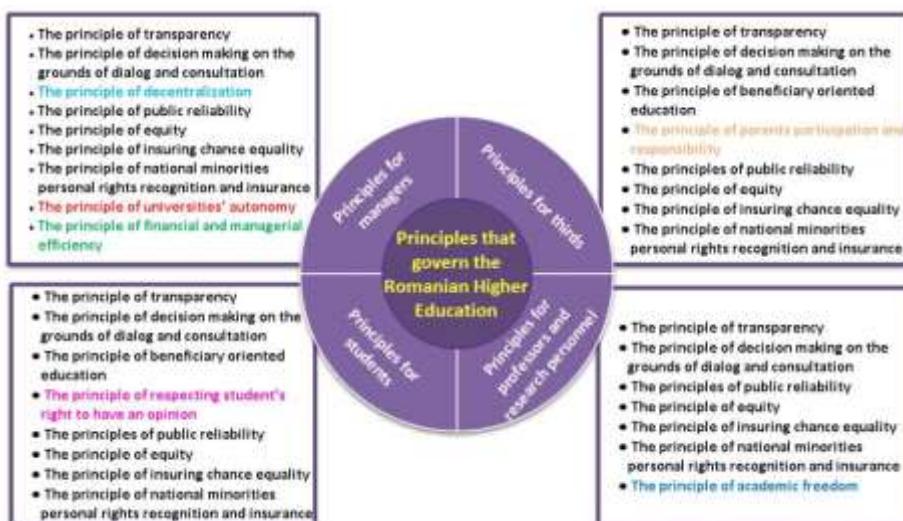
- **Markets' transparency and efficiency;**
- **Compliance with the rule of law** – the normative framework under which the institution/ organization functions;
- **Protecting holders' rights** (present investors), such as: the right to transmit the shares, to obtain necessary information for making the best decision in useful time, the right to vote in general assemblies, the right to participate in the distribution of the entity's profit;

- **Fair treatment of all shareholders**, including minority and foreign shareholders, applying the principle of “equal dissemination” whereby all investors receive the same set of information simultaneously;
- **Acknowledging interests for all interested parts (stakeholders)** that develop relations with the organization (employees, commercial partners, creditors, State and others) and encouraging their cooperation in order to create added-value, richness, workplaces and competitive entities;
- **Transparency and informing** through the correct and timely presentation of the financial situation, of performances, of the property’s structure and the entity’s governance;
- **The responsibility of the Board** that is responsible towards present investors and public on the management team’s observation, in order to insure the reaching of the organization’s objectives.



Picture no. 1 – Presenting the OECD Principles of Corporate Governance

Source: Personal interpretation of *OECD Principles of Corporate Governance*, OECD, 2004.



Picture no. 2 – Presenting the principles that govern the academic education

depending on their utility for the main categories of involved actors

Source: Personal interpretation of the *National Law of Education* no. 1/2011.

A part of these principles were took into the academic education area, also in our country, by adapting the valid legislation [10], and treated as landmarks for a good university management. Thus, among **the principles that govern the Romanian higher education**, we recall:

- **The principle of transparency** which obliges to the public exposure of university actions. The academic education transparency is an instrument that facilitates the decision making ability of the shareholders and supports an important and qualitative decision making process.
- **The principle of decision making on the grounds of dialog and consultation** which facilitates the stakeholders’ access to information and support the debate, the analysis and even challenge of actions and decisions, all these as a conjugate effort to improve the system and its performances.

- **The principle of decentralization** according to which, in establishing the strategy, the decisions to be made but also the objectives to be reached, the hierarchic position of leaders or institutional managers becomes clerkly detached (rector, pro-rector, general manager, deans, pro-deans, department managers), as directly involved parties, in opposition with the other categories of stakeholders.
- **The principle of beneficiary oriented education, the principle of respecting student's right to have an opinion, the principle of parents' participation and responsibility** which respects students' and parents' role and recognize their interests and rights, as stakeholders in the higher education process.
- **The principle of public reliability** is an ethic principle that aims towards social responsibility and acknowledging all parties' interests. Also ethic principles, **the principle of equity, the principle of insuring chance equality and the principle of recognizing and insuring the rights of national minorities**, which aim towards the eradication of discrimination on the access to studies and education.
- **The principle of university autonomy and the principle of managerial and financial efficiency** which clearly send towards leaders' reliability as managers and represent essential principles for insuring a good university governance.
- **The principle of academic freedom** concerning professors' and research staff's freedom for expressing their opinion and for analyzing ideas or actions without being afraid of the institutional censorship or without being threatened with loosing their job. Academic freedom can not be limited by political, social or economic constraints.

We found to be useful to group these principles depending on their utility for the main categories or stakeholders involved in academic education. Thus, as in the picture below, we can differentiate between: principles that are useful for managers, principles that are useful for students, principles that are useful for professors or research staff and principles that are useful for thirds.

6. Conclusions

In our opinion, the universities, in their capacity as public service providers and beneficiaries of public resources have an obligation to share information to the public. Therefore, a special category of actors involved in the governance of academic education should be, without any doubt, the public which is entitled to know what is happening to the sector that receives its contribution.

In addition, internal-external diptych must be treated as an opportunity and also a challenge to integrate the society in the academic governance, especially given the fact that higher education institutions are responsible for the training and education of those actors involved in governance. We believe that a public institution belongs first to the community since this is where its activity is being held and towards has certain rights, but mostly a lot of duties and responsibilities.

We believe that in today's Romania, although still regulated by the state, higher education institutions enjoy academic autonomy which has the main effect of augmenting their responsibilities regarding the management of public funds and own resources. At the moment, unfortunately however, the role of external parties is not yet sufficiently taken into account at the level of university governance as external actors are not part of any organ of government, so that we can deliver the relevant conclusion that there is a lower attention than necessary given to the degree of satisfaction of the community needs.

Currently, Romanian Universities integrate poorly the academic governance principles in their organizational culture and so, few universities benefit from efficient and performant administrations. The main cause is the standard approach which still feeds the homogeneity of the academic education system. Typically, university cards are simple legal transposition and the internal regulations are made after similar documents from other universities. Obviously, these approaches cannot naturally lead to the strengthening of the governance and to a proper management for the university mission.

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