Financial Autonomy in Higher Education Institutions
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– Perspectives of Senior Management of Finnish AMK Institutions
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Vuokko Kohtamäki
Abstract

This study considered the financial autonomy of Finnish AMK institutions in relation to their major funding bodies. The major funding bodies include the Ministry of Education and various legal types of owners of these institutions. Financial autonomy was studied from the perspective of the senior management of AMKs. These choices are based on resource dependence theory applied in this study.

AMKs are higher education institutions providing education with a vocational emphasis. AMKs have four different legal forms of owners, referred to as their maintaining bodies, and having the status of legal persons with legal capacity. AMKs themselves operate without the status of a legal person. This study used a multiple case study method with one foundation-run AMK, one company-run AMK, one joint local authority-run AMK and three local authority-run AMKs. Documents and semi-structured interviews were used as the empirical research data.

As suggested in the resource dependence theory, the case study institutions were dependent on the Ministry of Education and their maintaining bodies. This was in no way connected to the legal form of the maintaining organisation. Dependence was linked to the importance of resources; their indispensability and the power of funding bodies to regulate AMKs and the resources they supplied to them. This dependence was related to how the financial autonomy in the six case study institutions manifested itself.

The Ministry of Education set the frameworks for the case study institutions’ operations and finances. The power position of the Ministry was emphasised because, when necessary, it can use the operating licence as a lever in exerting influence over an AMK. The continuation of the operations of the AMK depends on the operating licence. The maintaining bodies exercised their own steering. There was neither one type of maintaining system nor one single way of operating a maintaining system. Many features of the maintaining body were connected to the type of control and influence faced by the case study institutions. Such features included, for example, overall organisational purpose of the maintaining body, ownership base, size, overall financial responsibility, financial situation and regional pressures.

The case study institutions were bound by the regulations and the regulations tended to preserve the old prevailing steering structures of the municipal maintaining
bodies. The case study institutions themselves also applied strategies in order to improve their financial autonomy. There are a number of examples of this in the empirical part of the study. Relations to the maintaining body and the Ministry seemed to involve the case study institutions in choices as to how to act in relation to these. The rector, in this respect, had a crucial position and role. S/he was a link both to the Ministry and the maintaining body and had a pivotal role in working between them. Strict control exercised by the maintaining body caused the AMK to rely on ministerial steering. Conversely, perceived subordination to the Ministry of Education brought the AMK and the maintaining body closer together.

The research findings demonstrated that the constitution of financial autonomy emerges in a very complex way. Financial autonomy was a dynamic relationship between actors, in which dimensions of interaction were not merely unidirectional. Formal authority related to the budget appropriations is not the whole picture. The case study institutions also aimed to enhance their financial autonomy. The constitution of financial autonomy has to be considered in relation to each funding body separately. In addition, the subject areas under analysis in these relations have to be specified and it needs to be decided whether the focus is on autonomy defined in legislation, on formal financial autonomy appearing in budgets and various regulations or; on actual financial autonomy. The actual financial autonomy was related to, for example, continuous and stable availability of resources, legitimation as a higher education institution and the content of steering exerted by the state and maintaining bodies.

*Key words:*

*Financial autonomy, legal status, steering, control, influence, resources*
Tiivistelmä

Tutkimuksessa tarkasteltiin suomalaisen ammattikorkeakoulujen taloudellisen autonomian rakentumista suhteessa niiden päärahoittajatähöihin. Päärahoittajia ovat opetusministeriö ja ammattikorkeakoulujen erityyppiset omistajat. Taloudellista autonomiaa tutkittiin ammattikorkeakoulujen rahoittajatähöiden näkökulmasta. Valinnat perustuvat tutkimuksen teoreettisena viitekehyksenä käytettyn resurssiriippuvuusperiaatteen ja


Ylläpitäjien säännöt olivat riippuvaisia ammattikorkeakoulujen järjestelmiä. Nämä olivat yleensä kunnallisten ja kuntien toiminnan järjestelyinä. Ammattikorkeakoulut voivat myös itse valitsemistaan strategioita käyttää.


Asiasanat:
Taloudellinen autonomia, oikeudellinen asema, ohjaus, valvonta, vaikuttaminen, resurssit
Glossary related to the study

This study applies a terminology that is common in the Finnish higher education context. The following paragraphs provide an overview of the central terms used for the purposes of this study.

AMK institution (ammattikorkeakoulu) is a higher education institution providing education with a vocational emphasis. Along with universities, AMK institutions are part of the Finnish higher education system. The AMK sector offers work-related professional education, conducts applied research supporting the needs of labour markets and employees and regional development and provides adult education (Polytechnics Act 351/2003). The institutions are referred to as polytechnics (e.g. Honkonen 1997, Ministry of Education 2002), as AMK institutions (e.g. Ahola 2006, Ministry of Education 2007a, OECD 2003, Teichler 1998, Temmes, Ahonen & Ojala 2002) or both as polytechnics and AMK institutions (Rosenius, Absetz & Toiviainen 1998). In this study, the abbreviation ‘AMK’ is used.

The English equivalents in use are polytechnics or universities of applied sciences. The first mentioned was rejected by an OECD review in 1995 in their report text and the review group used the Finnish word ammattikorkeakoulu. However, in many connections, the appropriate translation is polytechnic. The term ‘universities of applied sciences’ is a newcomer to Finland and it is not fully established. The abbreviation AMK is used in the Ministry of Education web site (2007b). AMK is also affiliated to many basic (Bachelor) degree titles in various study fields as prescribed in the Polytechnics Decree (352/2003, Section 3). AMKs confer the degrees specified in the Act on Polytechnics (352/2003, Section 3). Degrees are equivalent to bachelor-level degrees – e.g. Bachelor of Engineering, insinööri (AMK) – and the postgraduate degrees are equivalent to master-level degrees – e.g. Master of Engineering, insinööri (ylempi AMK).

An Operating licence is granted to the AMK’s owners and is a prerequisite for being allowed to offer AMK education. An operating licence holder is entitled to maintain an AMK institution according to the educational mission specified in the operating licence.
The Council of State has the authority to grant licences on the basis of applications. Among other things, the licence determines the fields of education, the teaching languages, the location of constituted units regarding degree education and it may also impose development and other obligations on the AMK pertaining to its duties (Polytechnics Act 351/2003, Sections 6 and 7).

Maintaining body /Owner /Licence holding body is an organisation to which an operating licence of the AMK institution is granted. A licence can be granted to a local authority, a joint local authority or to a registered Finnish foundation or association. The operating licence granted by the Council of State entitles an owner to maintain an AMK institution. The maintaining body is the owner of the AMK institution. Each AMK institution has one maintaining organisation. However, there are various forms of maintaining bodies and to be exact behind a certain form of a maintaining body can be found different legal types of owners. The maintaining body can also be called a licence holding body but the most typical English rendering is maintaining body. Maintaining body describes better the responsibilities imposed for them in the AMK legislation.

The legal form of a maintaining body can be a local authority, a joint local authority, a limited company or a foundation. Thus, all these forms of legal body can operate as a maintaining organisation for which an operating licence can be granted. They are the legal entities that own AMK institutions. A local authority and a joint local authority are both municipal organisations. In Finland, there are 416 towns and cities and they are local authorities (Association of Finnish Local and Regional Authorities 2007). In addition, there are about 200 joint local authorities. They form the basic structure alongside the national state for the provision of public services. According to the Finnish Constitution (731/1999, Section 121) Finland is divided into municipalities, whose administration is based on the self-government of their residents. The principle of self-government is a very important for the local authorities.

Local government authorities (municipalities) are public authorities and they form a level of local government in public administration. Finland is divided into local authorities and local government is based on residents’ autonomy. Autonomy is safeguarded in the Constitution (731/1999). Local authorities strive to promote the welfare of their residents and sustainable development in their areas. They perform the functions that they have undertaken by virtue of their autonomy and those laid down for them in law. Local authorities’ autonomy contains some central features: taxing power, specified functions (see above), new functions or duties cannot be set or be deprived without


2. A project to restructure local authorities and services aims to secure the organisation and provision of municipal services in the future with due regard to the required standard of quality, effectiveness, availability, efficiency, and technological advancement. Both organisation and production of the services will be considered in the project. (See more Ministry of Interior 2006).

**Joint local authority** is a form of municipal co-operation. The joint local authority is established by a charter approved by participating member local authorities. The aim of co-operation is to guarantee the organisation of important services for municipal residents, to improve the capacity of local authorities and raise efficiency in municipal activities. Through co-operation, there is also an aim of developing quality of services and guaranteeing expertise in special areas (Project to restructure local authorities and services, Ministry of the Interior 2006, 33). There are both voluntary and obligatory based joint local authorities. In the case of AMK institutions, a joint local authority is a voluntary-based way to 'maintain' AMKs. This type of co-operation between the local authorities is very typical and exists most commonly in the fields of national health care work, social services, vocational education and hospital districts.

**A limited company** is a capital corporation established by shareholder(s). Shareholders can be either natural persons (*luonnollisia henkilöitä*) or legal persons (*oikeushenkiloit*) (Koski & Sillanpää 2005). The responsibility of shareholders on the company's liabilities covers only the respective equity the shareholders have invested. A limited company is a legal person. Legal person implies the separation of these assets from the assets of the shareholders of the company, and company's legal capacity to take legal actions under its own name (Mähönen & Villa 2006, 29).

**A foundation** can be characterised as property assigned for a certain purpose, which has its own separate administration. Currently, the term foundation is used to refer to the status of an independent legal person with a property for a certain purpose (registered foundation). (Rissanen et al. 2006.)

The governance and the administration of the Finnish AMKs are linked, for example, to four types of legal persons and to their legislation, to a two-tier steering system of the AMKs and to the history of their pre-merger institutions. No such governance system is found in other countries. Writing this study in English necessitated the use of problematic terminology. The mere English translation of the word for Finnish AMK institution is not simple, because a number of practices in Finland persist concurrently. Moreover, the diverse ownership structures and how the AMK legislation in these contexts applies entail variations between the institutions irrespective of the same form of ownership. Native speakers of English may well construe certain terms in a manner different from the sense in which they appear in usage in Finland.
1. Introduction

1.1 Background

Autonomy is a crucial higher education policy topic and for the higher education institutions themselves it is particularly important. While autonomy and improvement of autonomy of higher education institutions are incorporated in national higher education policies, their functions are increasingly linked to working for and serving modern society (see e.g. European Commission. 2003 and 2005, Gibbons et al. 1994, Goddard 2005, Henkel 2005, Moses 2007, Tirronen 2005, Trow 1996). This also applies to the Finnish new AMK sector. The AMKs were established at the beginning of the 1990s, emerging from Finland’s upper secondary level vocational institutes. As with any higher education institutions, AMKs were established for certain social and political purposes (see e.g. Lampinen 1995a, Orelma 1992, Virtanen 2002 and their analyses on reasons and processes leading to the establishment of the AMKs). At the time of writing, Finland’s higher education institutions consist of 28 AMKs and 20 universities.

The starting point of this study is related to the implementation process of the national policy goal to strengthen the autonomy of Finnish AMKs. Strengthening the overall autonomy of AMKs was introduced as a national policy goal almost from the time of the establishment the AMK sector. Goals to improve and increase the autonomy of AMKs have been laid down in a range of policy documents (Development Plan for Education and Research 1999-2004, Ministry of Education 2000, 23; the Government

3. Growing student numbers, providing wider opportunities, growing demands and the changing needs of labour markets led to the establishment of new higher education institutions around Western Europe in the 1960s and 1970s. In Finland, the vocationally oriented new structure, the AMK sector, was established later than in other European countries. The corresponding vocationally oriented higher education institutions, which are concerned with vocational degree programmes, can be found, for example, in Austria, in Denmark, in Germany, in Norway and in the Netherlands. In Britain, the previous polytechnic institutions have gained university status and they are known as post 1992 universities.

Autonomy policy concerning the Finnish AMKs is consistent with international trends to improve the autonomy of public higher education institutions. In line with the New Public Management (NPM) doctrine, states have aimed to grant more autonomy to their agencies through decentralisation and deregulation reforms in the public sector. (See e.g. Christensen & Laegreid 1998, Ferlie et al. 1996, 19-20, Kickert 1997, Laegreid, Roness & Rubecksen 2006, Pollitt & Bouckaert 2004; and within the context of public higher education, see e.g. Askling, Bauer & Marton 1999, Bast 1995, Felt & Glanz 2003, Hölttä & Pulliainen 1991, Kogan 1998, Maassen 1998, van Vught 1997a, Verhoeven & Devos 2002, Scott 1996, Sporn 1999 and 2003). In Finland, the NPM followed the economic depression of the 1990s. Government regulation was decentralised (Hölttä 1995; Williams & Kitaev 2005, 14; OECD 1995, 47-51) and the legislation was reformed at all levels of the education system. Major change that follows the ideas of the NPM was the reform concerning the state steering. A detailed resource based steering was replaced by performance-based steering. This also took place in the Finnish system of higher education steering (see e.g. Hölttä & Rekilä 2003).

Autonomy is further an important and a very topical higher education policy theme nationally and internationally and new boundaries have been established for autonomy (Felt & Glanz 2003, Kogan & Marton 2000, Moses 2007, Ordorika 2003, Tapper & Salter 1995, van Vught 1994). This implies that autonomy is not a static but a dynamic phenomenon. Recently, particularly financial aspects in higher education institutions’ autonomy have been of growing interest. One major reason for this is that boundaries for autonomy are often created with the types of mechanisms that influence in the area of financial autonomy of higher education institutions. Typical examples of such mechanisms are performance budgeting, performance funding and performance agreements (e.g. Becher & Kogan 1992, 159-164; Burke & Lessard 2002, 75-78; Herbst 2007, 65-76; Neave & van Vught 1991, 242-251).

Creating legal capacities for higher education institutions are the latest manifestations that aim to enhance the financial autonomy of public higher education institutions. Legal capacity enables, for example, more freedoms in engagements with the external environment of higher education institutions. In some European countries the legal status of public higher education institutions has been reformed. In Finland, neither the AMKs nor the state-owned universities have legal capacities. However, the state is preparing the reform to change the situation as regards the universities. The AMKs operate without legal capacity because their maintaining bodies have the legal capacity.

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4. The basic idea of performance-based steering is to balance resources and goals on the one hand, and efficiency and quality on the other as well as possible and to ensure that the desired effects are achieved cost-effectively (Ministry of Finance 2006, 7).
5. See for more Austria, (Eurydice 2006), Denmark (Salmi 2007), Germany (Eurydice 2006), Finland (Jääskinen & Rantanen 2007), Britain (Pratt 1997), Sweden (Tarschys et al. 2008)
Strengthening the autonomy of higher education institutions can be seen as a governmental policy response to external demands for higher education (Amaral & Magalhães 2002, 12; Neave & van Vught 1991, 249; Sizer & Mackie 1995, 332). Higher education institutions have become local, regional, national and global actors and the political, economic, societal and cultural meaning of higher education as a whole is constantly highlighted. The common argument for autonomy in the Finnish AMK and the university context is their co-operation with their environment. There are legal requirements for AMKs and universities to interact with society (Polytechnics Act 351/2003, Universities Act 645/1997). Thus, there are considerable expectations of higher education institutions as sources of innovation, know-how, and improvement of economic and social well-being set in governmental and regional development strategies. (Ritsilä et al. 2007, 15; Ministry of Education 2007b.)

The regionality of the AMKs is one of the most important elements of the AMK system and also the whole Finnish higher education system (e.g. Kettunen 2004). According to the Development Plan for Research and Education 2003-2008 (Ministry of Education 2003a) “The higher education system is developed as an entity which is internationally competitive and flexibly responds to regional needs”. Regionality in the context of higher education implies more than strictly geographically specified regions. It is establishing strategically important networks and bonding to the regional innovation system through education and, research and development activities. A modern AMK institution has to be able to work with its regional network partners in a flexible way with the ‘it is agreed’ principle and without waiting for long bureaucratic processes (Rauhala 2005). In other words, autonomy is viewed to improve flexibility of operations of higher education institutions.

1.2 The purpose of the study

The purpose of this study is to contribute to our understanding of how financial autonomy of AMK institutions is constituted. AMKs are new higher education institutions, their autonomy was reformed in 2003 (Polytechnics Act 351/2003 and the Polytechnics Decree 352/2003) and so far there are few studies concerning their autonomy. Financial autonomy is a complex phenomenon and the normative and administrative context in which financial autonomy of AMKs emerges is multisided and diversified. Thus, it is relevant to enhance understanding on this topic. In addition, the research topic is close to my earlier research work.

In this study, financial autonomy is studied with the guidance of two broadly-based perspectives on resources and an entity. Operating resources and the autonomy related to these resources are crucial for higher education institutions (e.g. Hauptman 2006, 91; Herbst 2007, 143). The resource perspective is related to autonomy in the acquisition and allocation of monetary and non-monetary resources. Besides financial
autonomy related to the resources of an organisation, it is necessary to investigate what other elements are connected to the financial autonomy of a higher education institution. In the entity perspective, an AMK can be viewed as an entity with features of an own economy and finances. However, how an entity emerges from the point of view financial autonomy in the context of AMKs needs to be examined.

The study is explorative in nature. There are few studies related exactly to this topic and to the aforementioned perspectives. Empirically the study examines the financial autonomy of AMKs using a multiple case study approach. Financial autonomy of AMKs is studied from the perspective of institution level central senior management. The research approach is qualitative and empirical in order to enable the views of AMK actors to emerge in their own organisational contexts.

The focus of this study is on AMK organisations, their relationships to their major funding bodies and institutional level financial autonomy. The theoretical framework of the study rests to a large extent on organisational theories. The major contribution of the study can be in attaining a better and more profound clarification and understanding of financial autonomy of Finnish AMK institutions.

1.3 Linkages between AMKs and their funding bodies

When the AMK sector was established institutions’ ownership structures were mainly built on the forms of ownership of the AMKs’ vocational pre-merger institutions. The legislature argued that the AMKs’ regional tasks would be better accomplished when there are local municipal maintaining bodies. Both the municipal and private maintaining organisations were required to establish an AMK sector with an appropriate number and composition of institutions (Government bill 319/1994, 28-30). Each AMK institution has one maintaining body. In an international review conducted in 2003, the Organisation for Economic Co-operation and Development (OECD 2003) examined the AMK sector from the point of view of autonomy. The range of ownership categories was regarded as a strength of the AMK sector but one that also caused problems (see for more OECD 2003, 134, 138, 160, 176-178).

The AMKs are located throughout Finland. At the time of writing, in each of the 21 Finnish regions at least one AMK institution or its unit /or units can be found. The total number of degree students was 109,206 in 2007. In the region of Uusimaa (the southern part of Finland) there were eight AMK institutions and 32,309 degree students studied at these institutions. Both the number of institutions and the number of students correspond to around one third of all AMK institutions and degree students, implying that two thirds of degree students studied and two thirds of AMK institutions were located in other parts of Finland. The sizes of the AMK institutions measured in student numbers varied from 1,160 to 8,060 while an average number of students was 3,900 in 2007. (AMKOTA 2007a.)
Contributions expected from the AMKs imply the emergence of extensive national, regional and local interests in the institutions⁶. The interests, for example, of local maintaining bodies in their AMKs may vary substantially. Some local government authorities would like to have a new AMK unit in their region, some fight to retain their AMK unit, and some big local government authorities would like to reorganise the current AMK network (Ministry of Education 2005a, 4; see also Kohtamäki & Meklin 2001).

Moreover, the interests of the local authorities, likewise of the state, are based on their considerable financial contributions to the AMK sector. The local authorities are responsible for funding 46 per cent and the state for 54 per cent of the operating costs in the state grant system on which the national public funding system of AMKs is based. Distribution of public funding goes through the Ministry of Education to the maintaining bodies, and they allocate funding to the AMKs – directly to the institutions or to the internal operating units of the AMKs. Allocation of scarce resources always stimulates interests: how the resources are divided, by whom, to whom and for what purposes. In addition, the Council of State grants the operating licences to the maintaining bodies.

The maintaining bodies of the AMKs are legal persons with legal capacity. This implies that AMKs themselves do not have legal capacity. The maintaining bodies as legal persons have all powers to borrow money, to enter into contracts; to acquire, hold, dispose of and deal with property, to establish funds, to establish enterprises, and to sue and to be sued. In addition, the ultimate legal responsibility is carried by the legal person. According to Milgrom & Roberts (1992, 20) key features of an independent legal entity are the authority to enter into binding contracts, to seek court enforcement of contracts, and to act in an organisation’s own name and separate from individual members of an organisation. Thus, the AMKs are legally and financially closely linked with their maintaining bodies.

Financial autonomy is important for the higher education institutions (Bighi 1993, 62-63). A higher education institution without any degree of financial autonomy

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⁶ Expectations that the AMKs could play a proactive role in the long term transition of Finland into a leading position as a knowledge society were central ideas in the establishment of the AMK sector (OECD 2003, 142). Regional policy and development has been very active with respect to the universities and AMKs in the Finnish higher education system. Regionally located higher education institutions – comprising currently part of the university sector - were established in Finland in the first place between the end of the 1950s and the 1970s. Thus, the current composition of 20 Finnish universities does not form a homogenous group with respect to their history or functions. This period, after World War II, was part of the development of the Finnish welfare state. The welfare state – at that time - provided services for its citizens based on the principles of equality and fairness. In Finland, the public sector – the state and local authorities – are the key actors in funding, providing education and social and health care services. The AMK sector was established about twenty years after the establishment of the last Finnish regional universities. The nature and content of regional development has been changed and the previous planning oriented development has shifted into programme based development in which the focus is on the knowledge based society (Vartiainen 1998, 3).
can hardly operate even in the most centralised higher education systems. AMKs' autonomy in financial issues is not self-evident. They do not operate without financial autonomy, but there are different experiences of it. The level of financial autonomy has been experienced by AMKs as being low in some cases, but adequate in others. (Meklin, Kohtamäki & Valkama. 2000; see also OECD 2003.) The reformed legislation, Polytechnics Act (351/2003) and the Polytechnics Decree (352/2003), guarantees autonomy for the AMKs.

As pointed out above, autonomy is guaranteed for the AMKs in the legislation. But what is an entity whose autonomy is to be improved? Defining financial-administrative boundaries for an AMK institution may appear confusing. There are close links between the AMKs and their maintaining bodies. However, for the financial-administrative reasons the AMK institutions and the maintaining bodies have to be able to separate their operations and finances. Separate financial and other information over an AMK is required for a number of purposes.

At first, demarcation is needed in order to identify which operations and financial decisions are under the responsibility of the AMK and which are under the maintaining body.

Secondly, one has to be able to recognise the operative incomes and operative costs; i.e. monetary flows, of the AMK’s. The public funding system and calculation of costs per student require that the total operative costs of the AMKs can be distinguished. In addition, operative costs and incomes have to be distinguished, among other things, between types of activities distributed into different cost and income categories and between different study fields within AMK institutions.

Thirdly, AMKs’ operations and monetary flows have to be connected to each other for the purposes of the management and operational control of AMKs’ finances.

Fourthly, recognition is needed to produce financial and performance data for several purposes - depending on the needs of the actor in question – such as evaluation, development, planning, goal setting, steering, compilation of several statistics, information, decision-making, budgeting, accounting, and auditing, cost control and unit price calculations. The AMKs are responsible for producing data for the use of the Ministry of Education, the National Board of Education and the Statistics Finland.

The maintaining bodies are legal persons and entitled to use their legal capacity. Hence the maintaining bodies are also independent economic entities. However, it is not only legal capacity that creates an economic entity (International Accounting Standards Board. 2005, 22). In order to understand the constitution of financial autonomy of AMKs, it is important to examine how AMKs are viewed as entities but without legal capacity. An additional important question that emerges in the AMK context is how the financial autonomy of AMKs with varying legal bases of maintaining bodies is emerged. There are four legal forms of maintaining bodies that will be presented later.

The links between the AMKs and their major funding bodies are even more complex than described above. The state and the maintaining bodies of the AMKs have their
own steering and governance systems for steering the AMKs. This is one special feature of the AMKs: they are faced with two level steering bodies; the Ministry of Education at the national level and their maintaining bodies at the local level (e.g. OECD 2003). State steering/governmental steering can be understood as “influencing, adapting and controlling by the state of specific decisions and actions in society according to certain objectives and by using certain tools or instruments” (Maassen 1998, 2; see also Kooiman 1993, 2). Local steering/maintaining steering is the steering exercised on an AMK specifically by its maintaining body.

### 1.4 Research problem and research questions

The focus of the study is on the financial autonomy of Finnish AMKs. The Finnish higher education system is a binary system comprising universities and AMK institutions, but this study focuses exclusively on AMKs. A significant difference relating to the financial autonomy of Finnish higher education institutions is that in legal terms, the universities are owned by the state and the AMKs are owned by municipal authorities or are privately owned. The exception is the Police College of Finland7. Thus, legally the universities fall within the state jurisdiction but in the AMK context, legal persons are fundamentally different. Given the complex context of financial autonomy of AMKs, the research theme is challenging and is restricted to higher education institutions within the same sector in order to capture the theme for academic research purposes. Relationships under consideration are described in the figure below.

![Figure 1. Relations between an AMK and its major funding bodies](image)


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7. The Police College of Finland (Poliisiammattikorkeakoulu) is a state run institution under the Ministry of the Interior.
one fundamental relationship is that of the higher education institution to the state. States have legislative authority and they are usually also the major funding bodies of higher education institutions and this implies a significant role as regards institutions’ financial autonomy. However, other stakeholders may also have roles with respect to autonomy (e.g. Bladh 2007, Felt & Glanz 2003, Gornitzka & Maassen 2000, Ordorika 2003, Salmi 2007). It is obvious that from the viewpoint of financial autonomy relations to funding bodies are significant. Hence, the financial autonomy of AMKs is studied in relation to their major funding bodies. The major funding bodies of AMKs are their maintaining bodies and the state.

The research problem is specified as follows:

How is the financial autonomy of individual AMK institutions with different legal forms of maintaining bodies constituted in relation to their major funding bodies?

In this study, the concept *constitution* implies how the formation of the financial autonomy of an AMK appears. Constitution is the act of constituting, making, establishing, etc. It also means the way in which anything is constituted or made up, the arrangement or combination of its parts or elements, as determining its nature and character; make, frame, composition (Oxford English Dictionary 2008). For the purposes of this study, the concept of constitution is related to how or through what actions or through what processes financial autonomy is constituted. No single definition in the Oxford English Dictionary (2008) can fully cover the meaning of the concept constitution in this study. Moreover, the purpose is to contribute our understanding on this topic. Thus, instead of defining or establishing limits for an appearance of the phenomenon the focus is placed on exploring it.

It is important to analyse the financial autonomy of AMKs in relation to their maintaining bodies. The maintaining bodies fund AMKs, they are legal persons with legal capacity, and AMKs are part of their organisations. According to the OECD (2003, 61) the role of the maintaining bodies is important: “The main issue in terms of the autonomy of polytechnics is the relationship between the maintaining administration and the internal ‘autonomous’ administration of the polytechnic.” There are privately run AMKs, local authority run AMKs and joint local authority run AMKs. The idea behind multiple ownership categories has been to establish an AMK sector with an appropriate number of institutions of different types throughout the country (Government bill 319/1994, 28-30). However, different legal forms of maintaining bodies have demonstrated ambiguity related to autonomy of AMKs (OECD 2003, Meklin, Kohtamäki & Valkama 2000).

As pointed out, the AMKs are not legally state agencies. However, the AMKs have important financial linkages to the state. The state funds the operations of the institutions through the maintaining bodies and the state grants the operating licences
Financial autonomy is seen to be important for higher education institutions. Therefore, it is also relevant to examine AMKs’ actions to enhance their financial autonomy in this study. On the basis of the research problem this study will explore three research questions: 1) How is financial autonomy in AMKs controlled and influenced by the Ministry of Education and maintaining bodies? 2) How do individual AMK institutions act in order to enhance their financial autonomy and 3) How can AMKs be perceived as entities with regard to their financial autonomy?.

1.5 The dissertation plan

The plan below aims to present in more detail how the study runs from chapter to chapter. The book is divided into eight chapters. The contents and progress of the work are presented together in the following figure.
FIGURE 2. Dissertation plan
Chapter 1
The chapter presents the preliminary context to study the financial autonomy of Finnish AMK institutions. The purpose of the study is presented. Financial links between AMKs and their major funding bodies are reviewed and on the basis of this the research problem is set. The following descriptions show the progress of the study in more detail.

Chapter 2
The focus of the chapter is
1) to describe the different ownership categories of AMKs
2) to describe regulative and policy frameworks of autonomy of the AMKs and steering tools available for the state and for the maintaining organisations
3) to analyse how the legislature defines contents of autonomy of AMKs

The chapter is focused in more detail on the Finnish regulative and policy frameworks for the autonomy of AMKs. AMKs’ different ownership categories are described and the main differences between them are analysed. The relevance of the chapter is to consider the actor – and briefly the actor’s background – whose autonomy is under scrutiny. One main contribution of this chapter is to provide the background of the complexity of AMKs’ ownership and steering issues that further gave the impetus to study financial autonomy in the AMK context.

Chapter 3
The aim of the chapter is to
1) consider what has already been studied and
2) address what needs more investigation. The reviews of international autonomy studies and Finnish AMKs’ autonomy related studies are conducted and the major research findings are presented.

Chapter 4
This chapter focuses on the concept of financial autonomy through a research literature review. There is

1) a brief overview of the roots of autonomy in higher education institutions
2) a review of the concept of institutional autonomy and some other central autonomy concepts in the field of higher education and
3) a description of how the concept of financial autonomy can be divided into two perspectives on the basis of the literature review, to provide ways of understanding issues of financial autonomy empirically.
Chapter 5
In Chapter 5 there is a consideration of what theories can help to explore relations and interactions between organisations. The resource dependence theory and some alternative theoretical approaches focusing organisation-environment relations are considered. Specifically the chapter discusses:
1) how the theoretical approach of the study has been applied,
2) what the arguments to use the selected theoretical approach are and
3) what links there are between the theoretical framework selected and financial autonomy.

Chapter 6
This chapter discusses research methodology. The chapter considers:
1) the philosophical assumptions this research is committed to
2) how financial autonomy of individual AMKs can be empirically studied
3) how data are collected
4) what forms of data are collected
5) how the collected data are analysed.

Chapter 7
This chapter contains the analysis of the document data and the interview data. Research findings on the financial autonomy of AMKs are demonstrated on the basis of the empirical research data obtained. Major findings are further linked to the theoretical framework of the study.

Chapter 8
The chapter presents the conclusions of the study conducted, discusses the major research findings, and reflects on the applied theoretical framework and empirical approach of the study. Credibility and transferability are discussed and there are also suggestions for further research.

2. Frameworks for autonomy of AMKs

Finnish AMKs are specific types of higher education institutions and they have distinctive backgrounds and contexts. Therefore, contextualizing, that is to study the phenomenon of financial autonomy in its context, is an important starting point to approach and understand the unique characteristics in light of the relations of these institutions to their major funding bodies. The chapter begins by describing the background of the diversified ownership of the AMKs and major features of four legal
forms of maintaining bodies. The importance in describing the forms of maintaining bodies is that a descriptive comparison reveals the basics of how, for example, the local steering structures and member compositions participating in the steering of AMKs fundamentally vary. The steering mechanisms, defined in the AMK legislation of the Ministry of Education and maintaining bodies are presented. The financial autonomy of publicly funded higher education institutions is always connected to the public funding system. But do all the privately run and municipally run AMKs have the same funding model? The major elements of the public funding system are described: who are the funders and how are operations of the AMKs run by private or public maintaining organisations funded.

In addition to the above, the chapter considers other financial linkages between AMKs and the Ministry of Education and between AMKs and their maintaining organisations within the system level regulative frameworks. According to Ziegele (1998, 3) when studying the financial autonomy of higher education institutions, it is important to carefully consider their regulative frameworks. Understanding related to the content of autonomy can be enhanced by considering specified challenges to the autonomy of AMKs introduced in the policy documents reviewed. The chapter ends by introducing the new AMK legislation and how autonomy is regulated therein.

The chapter can be divided into the regulative frameworks and into the policy frameworks of autonomy of the AMKs. However, these frameworks alternate in this chapter.

2.1 Background of the diversified ownership of the AMKs

The history and phases of the pre-merger institutions of AMKs are among the most important elements in gaining an understanding of the current and diverse ownership, steering and funding systems of the AMKs. The pre-AMK merger institutions were upper secondary level vocational institutions. As a whole, the AMK sector has been formed from some 215 individual upper secondary level vocational institutions that mainly had municipal ownership structures and origins. Local authorities and the joint local authorities were the main actors along with the state when the secondary vocational education system was originally developed in Finland after the Second World War. This is not to say that there was no vocational education before, but the development and enlargement took place after the Second World War. At the beginning of the 1990s, responsibility for vocational education was mainly transferred from the state to local authorities or joint local authorities and private organisations. In reorganising vocational education providers, the aim was to establish operationally and financially efficient units and educationally large units offering several study fields (Kohtamäki 2002, 141). After these structural changes the institutions became large, multi-field education institutions and some institutions were developed into AMKs. A vocational
institution’s maintainer can be a local authority, a joint local authority or a registered Finnish association or a foundation. The licence to maintain an institution is granted by the Council of State. The state can also establish a state run vocational institution. The steering of Finnish vocational institutions was a patchwork of arrangements (OECD 1995, 112) and similar arrangements were shifted to the AMKs.

The actors playing influential roles in the establishment of AMKs were local authorities and joint local authorities, regional councils, and other regional organisations and stakeholders (Ministry of Education Background Report 2002, Polytechnic Education in Finland). The AMK reform was to take place through experimental and development phases, which started in 1991. The first 16 ‘experimentation’ licences were granted in 1991 and the first permanent operating licences to nine institutions in 1996. Accordingly, the other permanent operating licences were granted during the years 1997 to 2000. The permanent AMK network covering the whole country was completed in 2000, with 31 institutions (29 institutions within the policy sector of the Ministry of Education, one institution within the Ministry of the Interior and one under the Åland Provincial Government, appendix 1).

Maintaining an AMK institution is a voluntary task undertaken by local authorities. There are also a number of limited companies and foundations organising the maintaining of AMK institutions. At the time of writing, only one foundation is left, due to mergers. One change in the Polytechnics Act (351/2003) relating to maintaining bodies is that the Act no longer specifies the state as a possible maintaining body.

When the AMKs were first established, there were no national regulations, instructions or recommendations for organising the functions of the maintaining body. Each applicant for an operating licence itself considered the legal form of maintaining independently. However, in the Development Plan for Education and Higher Education Research 1995 – 2000 (Ministry of Education 1995, 9) it was pointed out that each permanent AMK should be maintained by one maintaining body. At the time of conducting this research, the maintaining structures were under review8. According to the structural development policy of the state (Ministry of Education 2006:2, 13) the primary form of maintaining should be based on limited companies. The latest national policy document sets a new policy direction. According to the Development Plan of Education and Research 2008-2012 (Ministry of Education 2008, 27) diversified ownership structures will be retained and foundations, limited companies, joint local authorities and local authorities can act as maintaining bodies.

8. The recent trend is to further develop the maintaining system structures and renew the form of maintaining bodies. Central drivers for structural reform are set out in the report Principals of Structural Development of Higher Education Institutions (Ministry of Education 2006:2) and in the review of the Council of State on Educational Policy to the Parliament (Ministry of Education 2006:24).
2.2 Legal forms of maintaining bodies

The major differences between maintaining organisations are described in Table 1, with a descriptive comparison of the differences between local authorities, joint local authorities, limited companies and foundations and their central regulations, goal setting, purpose, governing bodies, members of governing bodies, budget, basic funding sources and status of staff.

TABLE 1. Comparison of different maintaining organisations legally possible for AMKs
(modified from The Association of Finnish Local and Regional Authorities 1996, 18)

<table>
<thead>
<tr>
<th></th>
<th>Local authority</th>
<th>Joint local authority</th>
<th>Limited company</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>To promote the welfare of their residents and sustainable development in their areas.</td>
<td>To promote the welfare of their residents and sustainable development in their areas.</td>
<td>Stated in the charter of the limited company</td>
<td>Stated in the charter or regulations of the foundation</td>
</tr>
<tr>
<td><strong>Goal setting</strong></td>
<td>Council</td>
<td>Joint council</td>
<td>Charter* Board</td>
<td>Board</td>
</tr>
<tr>
<td><strong>Governing bodies</strong></td>
<td>Council, board, committees</td>
<td>General assembly/joint council, Joint board, committees</td>
<td>Meeting of shareholders Board Chief executive officer</td>
<td>Board of trustees Board</td>
</tr>
<tr>
<td><strong>Members of governing bodies</strong></td>
<td>Persons qualified for election for a municipal elective office, with the exception of board of management and commission members</td>
<td>Persons qualified for election for a municipal elective office, with the exception of board of management and commission members</td>
<td>Natural persons and legal persons</td>
<td>Natural persons and legal persons</td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td>Regulations in the Local Government Act</td>
<td>Regulations in the Local Government Act</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Funding</strong></td>
<td>Tax revenues Operating revenues* State subsidies Loans</td>
<td>Operating revenues Loans Unit price funding Municipal investments</td>
<td>Operating revenues Loans Capital investments</td>
<td>Operating revenues Loans Investments</td>
</tr>
<tr>
<td><strong>Status of staff</strong></td>
<td>Public Private</td>
<td>Public Private</td>
<td>Private</td>
<td>Private</td>
</tr>
</tbody>
</table>

*) Articles of association
Among the AMKs run by limited companies, there are some maintaining bodies with local authorities or joint local authorities as shareholders. From the legislative point of view, there is no difference between a limited company owned by private shareholders or by local authorities. In the latter case, the Local Government Act (365/1995) regulates the election of representatives to the company’s governing bodies and defines the company’s field of activities.

2.2.1 Different legislative environments and legal status

The Local Government Act (365/1995) applies to local authorities and to joint local authorities where applicable. An AMK can also be organised as a municipal enterprise within a local authority or a joint local authority. There are new separate provisions related to municipal enterprises in the Local Government Act (365/1995). Limited companies and foundations each have their own legislations (Companies Act 624/2006, Foundations Act 109/1930).

In the AMK legislation and legislation concerning AMKs, AMKs have not been granted the status of a legal person. Instead, the legal person status belongs to the AMKs' maintaining bodies. The maintainer's status as a legal person can be derived from the legislation applied to maintaining bodies9.

Local authorities and joint local authorities as maintaining organisations are public organisations and legal persons under public law. The Local Government Act (365/1995) does not particularly specify in that a local authority as an organisation would have legal capacity or that it would be a legal person. The foundation of being a legal person and the foundation of political, administrative, economic and legal independence of the local authorities rests in the Finnish Constitution (731/1999), the Local Government Act (365/1995) and in the European charter of local self-government (Mennola 2002, 56).

Regarding the joint local authorities, it is prescribed in the legislation that joint local authorities have legal capacity. According to the Local Government Act (365/1995, Section 80): “Joint municipal boards can acquire rights and enter into commitments and have the right to be heard in courts of law and before other authorities”. In addition,

9. The legal status of maintaining bodies can be approached through their status in public and private law. Within private law, legal persons can be grouped into corporations and foundations. Within corporations, the members are entitled to make decisions in principle over all corporation matters. In foundations, the will of the establisher dominates. In the private sector, organisations are obligated to select a specific type of legal person. This is to say that the organisation is required to belong to a specific category of legal person and to be registered. (Mennola 2002.) Public legal status is always prescribed in legislation concerning organisations with public tasks or public authority (Miettinen 2000.) Different legislation regulates public legal persons. However, it is not always stated in the legislation that a certain organisation has legal capacity or is a legal person. Instead, the legislation may be comprised of certain legal rights and other regulations for a community which affect its legal capacity in situations with legal effects.
the local authorities and joint local authorities can organise the operations of the AMK in the form of a municipal enterprise. However, a municipal enterprise is part of the municipal administration and finances; it does not form a separate legal person.

AMKs run by a limited company or by a foundation, or more precisely their maintaining bodies, are legal persons under private law. Foundations and limited companies achieve legal capacity after being registered on the trade register (Foundations Act 109/1930, Section 8 and Companies Act 624/2006, Section 2).

The starting point is that in matters that require legal capacity, the actor who represents an AMK institution is its maintaining body. Legal capacity is an important element from the economic point of view. Lack of legal capacity implies, among other things, that the right to acquire property belongs to the maintainer and that the maintaining body owns the property. Respectively agreements for borrowing money and other financial agreements and commitments are made in the name of the maintaining body and the financial responsibility is carried by the maintaining body.

2.2.2 Varying purposes of maintaining organisations

The purpose of an organisation that represents the organisation’s reason for existence in the context of local authorities can be derived from the Local Government Act (365/1995) and Section 1: “Local authorities shall strive to promote the welfare of their residents and sustainable development in their areas.” The purpose of foundations and limited companies is expressed in a charter or in regulations. The purpose and the assets of the foundation have to be stated in the foundation charter. In limited companies, the goals of business performance and making profit for the shareholders apply. (Companies Act 624/2006, Jauhiainen & Airaksinen 2005). The purpose of the company can be other than profit making if it is so defined in the charter of the company (Companies Act 624/006, Chapter 13, Section 9).

10. A municipal council and a joint local authority organ have decision-making authority whether to organise some of its activities in the form of a municipal enterprise. A municipal enterprise has the following features: it covers its expenses with revenues, it covers its investments with its revenues in the long run, it has a profit and loss account and a balance sheet and it is operationally and financially an independent unit under performance-based steering (Association of Finnish Local and Regional Authorities 1996, 9).
2.2.3 Goal setting and structures of governance and administration

Decisions on goal setting are made by the highest governing bodies of the maintaining organisations. In the case of local authorities and joint local authorities, the responsibility for approving operating and financial goals is prescribed in the Local Government Act (365/1995). In the limited companies, the charter of the company determines the main lines of goal setting.

In Table 2, there are examples of basic governance structures of different ownership categories. A municipal enterprise operates within a local authority or a joint local authority and it has a separate management board and director.

TABLE 2. Governing body structures in different forms of maintaining organisations

<table>
<thead>
<tr>
<th>Local authority</th>
<th>Joint local authority</th>
<th>Limited company</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>General assembly/</td>
<td>Meeting of</td>
<td>(Board of</td>
</tr>
<tr>
<td>Board</td>
<td>Joint council Board</td>
<td>shareholders</td>
<td>trustees)</td>
</tr>
<tr>
<td>(Committee)</td>
<td>Board (Committee)</td>
<td>Board (Chief</td>
<td>Board</td>
</tr>
<tr>
<td></td>
<td></td>
<td>executive officer)</td>
<td></td>
</tr>
</tbody>
</table>

Governing bodies in brackets are not statutory. According to the Companies Act (624/2006) a Chief executive officer is an organ.

According to Fisher (1988, 137; see also Sporn 2006, 145), the type of governance structure is important to the basic degree of a higher education institution’s autonomy. The structure of the governance and administration of maintaining bodies is determined by their legislation and by local agreements and regulations further specifying the legislation. AMKs do not appoint decision-makers or have a say regarding the administrative and governance structures of maintaining bodies. The responsibilities of the maintaining body can be carried out by an organ specified by the maintaining body. It is also possible to decentralise responsibilities to one organ or several organs. However, there are also matters, defined in the legislation, which belong to the authority of a certain organ in the maintaining organisations (Companies Act 624/2006, Local Government Act 365/1995).

In local authorities the structure of governing bodies and the relationships between the governing bodies are prescribed in the legislation. In a local authority, the highest decision-making body is a council (valtuusto). The council represents residents and is responsible for the operations and finances of the local authority. The council’s tasks include deciding on the main operational and financial objectives, on the principles for arranging the administration, and approving the budget (Local Government Act 365/1995, Section 13).
The board of a local authority (kunnanhallitus) prepares and executes the decisions of the council. The council can also establish committees (lautakunta)* working under the board of a local authority and boards of management (johtokunta) to handle a municipal enterprise or other institution or function. Boards of management primarily manage different departments such as a school or a day-care centre. Board of management can be located organisationally under the municipal board or committee (Harjula & Prättälä 2004, 162-216).

In a joint municipal authority, the highest decision-making authority rests either with the member local authorities at the general assembly (yhtymäkokous) or with an organ designated in the charter and elected by the member authorities. There may be other organs than those specified in the charter. It is also possible to operate with one organ, which may be a board that possesses the authority to make decisions and to prepare and execute the matters. In practice, the joint council is the most typical superior body in a joint local authority's administration (Harjula & Prättälä 2004, 574-575). A municipal enterprise's administration is specified in the standing order approved by the local authority. The municipal council appoints a management board for a municipal enterprise (Harjula & Prättälä 2004, 179 and 199).

In an AMK run by a limited company, the highest decision-making authority of the company rests with the shareholders' meeting (yhtiökokous). Matters to be decided in shareholders' meeting are listed in detail in the Companies Act (624/2006). The most important tasks are appointing senior management and auditors, approving annual financial statements, exonerating them from the liability and approving profit sharing. The tasks of the company board (osakeyhtiön hallitus) include supervising administration and organising operations (internal administration) and representing the company (external administration). The management of the limited company is the responsibility of the board, and if the company has a chief executive officer, the responsibility of the company rests both with the board and the chief executive officer.

In a foundation there has to be a board (hallitus). In addition to the board, there may also be other governing organs like a board of trustees (hallintoneuvosto). The establisher of the foundation's regulations has extensive freedom in regulating the administrative organisation of the foundation because there are no legislative restrictions to delegate authority within the foundation (Jauhiainen & Airaksinen 2005, Foundations Act. 109/1930).

* The committee (lautakunta) is an organ working under the board of the local authority or the joint local authority for example in the field of education, social and health services, environment or leisure services. The committees are permanent and their tasks are decided by the council. (Local Government Act 365/1995, Section 17)

11. The general assembly is comparable to a company’s shareholder meeting. The representative member of a member local authority utilises the owner’s right to speak on behalf of the local authority.

12. A chief executive officer is obligatory in companies with a capital stock of 80,000 Euros. (S)he is appointed by the board or by the board of management if so required. The CEO is responsible for the daily management of the company under the instructions issued by the company board. (S)he also represents the company in these matters. (Companies Act 624/2006.)
2.2.4 Composition of members of governing bodies

Different forms of maintaining bodies vary in terms of the membership composition of their governing bodies. The fundamental difference is that private organisations have more freedom in appointing members – who and what type of members – to decision-making organs. Legal persons are not allowed to be members of municipal organs. In local authorities and in joint authorities there are members (inhabitants eligible to vote) and in the limited companies, there are shareholders who are entitled to make decisions in their organisation on the basis of the legislation. In foundations, there are no specified members or shareholders entitled to participate in decision-making. The foundation has its purpose and its governing bodies aim to fulfil the purpose specified. Another board of a Finnish foundation, association or an institution can also act as a foundation board. It is also possible that a public authority can act as a foundation board. (Koski & Sillanpää 2005.)

2.2.5 Budget regulations and funding

There are variations in budget regulations for different types of maintaining bodies. The Local Government Act (365/1995) includes provisions regarding the budget and financial plan but the Companies Act (624/2006) and Foundations Act (109/1930) lack this kind of provision. However, this does not imply that private maintaining organisations do not prepare or approve budgets.

The formal accounting entity is the maintaining body. The Polytechnics Act (351/2003, Section 14) refers to the AMK’s financial plan and budget and it is usual to refer to the “AMK’s budget” in other official documents (e.g. in the minutes of AMK board meetings) but this should not be interpreted as meaning that an AMK institution is a separate, independent budget holder in a legal sense. Instead, the AMKs’

13. Pursuant to the Local Government Act (365/1995, Section 13), the council approves a budget for the local authority for the next calendar year. When approving the budget, the council also approves a financial plan for three or more years. The budget year is the first year covered by the plan (Local Government Act (1995, Section 65). A budget and financial plan of a municipal enterprise can be separated from the budget and financial plan of the local authority. However, the budget and financial plan of a municipal enterprise are attached to the budget and financial plan of the local authority. (Myllyntaus 2000.) Therefore, a municipal enterprise has more independent status than other municipal departments within the budget of the local authority.

14. All the maintaining bodies of AMKS have to keep books as prescribed in the Accounting Act (1336/1997) and/or the Local Government Act (365/1995). The responsibility for keeping books is linked to the local authority, the joint local authority, the limited company or the foundation as a whole, as is the case regarding legal capacity. Thus, the responsibility to keep books does not concern the AMK institution. Instead the AMK is included in its maintaining body’s accounting system. However, the registration systems have to be organised in such a way that statistics for calculating unit prices can be provided. Provisions regarding auditing are in the Auditing Act (459/2007) and in all legislation concerning maintaining bodies.
appropriations and revenue estimates and other required budget matters are included in the formal budget documents of their maintaining bodies. Thus, in a legal and financial-administrative sense, AMKs are units within their maintaining organisations.

The funding base and structure differ significantly between different forms of maintaining bodies. The most notable difference is that local authorities have the right to levy taxes and private organisations receive investments from their shareholders. Thus, both municipal and private maintaining bodies have funding sources based on the form of legal person and their respective legislation.

### 2.2.6 Status of staff

The formal employers of AMK staff are maintaining bodies. The employer’s legal liabilities and responsibilities are vested in the maintaining bodies. The Local Government Act (365/1995) and the Act on Civil Servants in Local Government (304/2003) are applied to vacancies in AMKs run by local authorities and joint local authorities. However, the Employment Contracts Act (55/2001) is applied for vacancies in privately-run AMKs. A key question related to employer status and the higher education institution’s autonomy is whether or not the institution can appoint, employ, promote and dismiss its staff. The Polytechnics Act (351/2003) authorises AMKs to appoint and employ teaching staff.

In AMKs run by local authorities and joint local authorities, there are positions to which the provisions of the Local Government Act (365/1995) and the Act on Civil Servants in Local Government (304/2003) are applied. In privately run AMKs, the provisions of the Employment Contracts Act (55/2001) are applied to their positions. However, the latter Act is also applied to private law positions in AMKs run by the local authorities and joint local authorities.

### 2.3 AMKs’ relationship to the Ministry of Education and their maintaining organisations

#### 2.3.1 The funding system

AMKs are mainly funded from the state budget. All AMKs have the same public funding system irrespective of the form of their maintaining body. Regulations concerning the public funding (unit price funding) of AMKs are in Act on the Financing of the Provision of Education and Culture (635/1998) “Funding Act” and in the Polytechnics Act (351/2003). The public funding of AMKs is described as the unit price funding according to calculations of AMK specific unit-prices that are part of the unit formula.
in the calculation process of unit price funding. This will be discussed in more detail later. Local authorities, together with the state, are responsible for the public funding of AMKs. AMKs’ public funding is part of the state grant system.

The state grant system and the Funding Act (635/1988) are very important parts of the relationship between the state and the local authorities in Finland. The state grant system and local authorities as AMKs’ maintainers link the AMK sector in a very fundamental way into an integral part of the financial relations between the state and the local authorities.

According to the state budget proposal in the 2006 fiscal year, the AMKs’ formula based expenses were 723 million Euros, of which the local authorities contributed 387 million Euros (54 per cent). The state grant was 335 million Euros (46 per cent)\(^{15}\). There are also state grants of 25 million Euros to cover costs such as AMK projects, performance-based funding and AMK open education. Altogether the state budget proposal provided 748 million Euros to AMKs’ operating expenses (Ministry of Finance 2005). In the state budget proposal for 2006, the share of appropriations of the AMK sector was 5.7 per cent of the share of the Ministry of Education.

Unit price funding is directed at the functions of AMKs specified in the legislation – education and applied research and development work. The unit price funding system does not include separate elements for applied research and development work. The major competitive research funding bodies for universities and research institutes in Finland are the Academy of Finland and the National Funding Agency for Technology and Innovation (Tekes). Of these two, Tekes also funds research projects in the AMK sector. It is also possible for an AMK to participate in research projects co-ordinated by a university for which the funding body is the Academy of Finland.

There are three important issues concerning public funding of AMKs:

1) distribution of funding
2) form of funding
3) components of funding

One main issue in the legislation (Polytechnics Act 351/2003, Funding Act 635/1998) affecting financial autonomy is that the unit price funding is distributed to the maintaining bodies. In the case of local authority run institutions, funding is distributed to the local authorities as part of their lump-sum subsidy for providing all municipal services. Funding is in the form of a block grant. The other maintaining bodies receive funding separately in the form of block grants (see Figure 3).

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\(^{15}\) Pursuant to the Act on the Financing of the Provision of Education and Culture (635/1998) the state provides 57 per cent of the unit price funding and the local authorities 43 per cent. In practice, the share of the state is smaller and the share of the local authorities is proportionately bigger than specified in the Act. This is because the state has increased the share of funding distributed to local authorities.

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42 — Vuokko Kohtamäki
The amount of unit price funding, a phase before distribution to AMK maintainers, is based on the application of a formula. An example of a calculation of the amount of an AMK specific unit-price is shown in Appendix 2. The funding system in terms of formulae was reformed with some adjustments during the time this research work was in progress and the new system came into force on 1 January, 2006. The old formula was based on actual student numbers and the previous year’s operational expenditures per student for all institutions. The previous system reflected the AMKs’ establishment phase and the structure was related to the funding system of secondary level vocational education. In the new system, there are two factors in the calculation of AMK specific unit price funding:

1) student numbers calculated with the formula per year
2) the average number of completed basic degrees and postgraduate degrees in the two previous years. Thus, the number of students is no longer based on actual numbers but is calculated with the formula. Additionally, there is a new output element – the number of degrees completed – which was not earlier applied16.

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16. In the formula, the weight of student numbers is 70 per cent and the weight of the number of degrees awarded is 30 per cent. Student numbers are calculated on the basis of study places per field of study in youth education specified in the target agreements multiplied with certain cost coefficients and numbers in adult education specified in the target agreements. The calculation of AMK specific unit prices is derived from national total costs (real total costs are calculated every fourth year) conferred by all institutions and the proportions of each institution is a result of formula based calculations per AMK student. Costs in different study fields are taken into account by using cost coefficients that reflect study times in AMK education. In terms of the level of unit price funding, the most important is the number of study places in different fields of education and the level of unit prices.
The unit price funding, which represented 77 per cent in 2004 and 79 per cent in 2005, is the largest and the most important operating funding source for AMKs. The table below shows all the operative funding sources of the AMKs in the financial years 2004 and 2005. These years are presented because they are the years when the empirical data for this research were collected.

**TABLE 3. Relative shares of operating funding sources of the AMKs by form of maintaining body, financial years 2004 and 2005 (National Board of Education 2007)**

<table>
<thead>
<tr>
<th></th>
<th>All %</th>
<th>Local authority %</th>
<th>Joint local authority %</th>
<th>Limited company %</th>
<th>Foundation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>State project funding</td>
<td>2.9</td>
<td>2.7</td>
<td>2.9</td>
<td>2.6</td>
<td>3.1</td>
</tr>
<tr>
<td>EU funding</td>
<td>0.4</td>
<td>0.5</td>
<td>0.3</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Other project funding</td>
<td>2.3</td>
<td>2.3</td>
<td>1.5</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Charged services</td>
<td>12.8</td>
<td>13.8</td>
<td>9.1</td>
<td>8.4</td>
<td>16.8</td>
</tr>
<tr>
<td>Unit price funding</td>
<td>76.7</td>
<td>79.1</td>
<td>79.5</td>
<td>81.8</td>
<td>76.5</td>
</tr>
<tr>
<td>Maintainer funding</td>
<td>4.7</td>
<td>1.3</td>
<td>6.6</td>
<td>4.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Other funding</td>
<td>0.2</td>
<td>0.3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

The table above follows the statistical division of operating funds sources applied by the National Board of Education. The Polytechnics Act (351/2003) identifies four types of funding: unit price funding (core funding), performance-based funding, project funding and other funding sources. In addition, there is public funding for vocational teacher training for those institutions that offer this field of education.

In AMKs run by foundations, the share of unit price funding was exceptionally high in 2004. This is because one AMK institution was supported financially by quite a large sum from the maintaining body (which can be seen from the row of maintainer funding) and controlling for this amount decreases the average proportion in foundation run
AMKs to 59 per cent. There were three AMKs run by foundations in 2004 but in the two other cases, the proportions of core funds were near the national average level.

Maintainer funding is funding from the owner to the AMK institution. It is at the discretion of a maintaining body. Maintainer funding (Table 3) varies according to the maintainer’s granting of funding. If the unit price funding does not cover the operating costs, there are several ways to cover the costs according to the maintaining body and form of maintaining body in question. Naturally, institutions can cover deficiencies in unit price funding by charging for services. In addition, the maintaining body can establish separate funds in order to balance out cost fluctuations.

In the case of joint local authorities, the Local Government Act (365/1995) requires the member local authorities to be liable for financing the expenses of the joint local authority that are not otherwise covered, as agreed in the charter regarding the sharing of liability between the member local authorities (Local Government Act 365/1995, Section 83). In the case of limited companies, among other things, additional funding depends on income from other possible activities of the maintaining body in question and on the shareholders. In foundations, property returns are available for pursuing the purpose of the foundation. A portion of the assets might be restricted for application to specific purposes (defined by donors), and a portion is non-restricted and can be freely used for the purpose of the foundation. (Kohtamäki 2000, 39-40.)

Performance-based funding is a separate system from unit-price funding. During this research project, the amount received depended on the institution’s performance in terms of development of teaching and teaching methods, the attractiveness of the education provided and advancement in studies, AMK-industry relations and research and development, regional impact and capacity for development and renewal. Part of the performance-based funding (that portion related to excellence in teaching and excellence in regional impact) is allocated on the basis of evaluations made by FIN-HEEC, the Finnish Higher Education Evaluation Council.

AMKs are not organisations that obtain significant financial resources from the sale of goods or services. However, the share cannot be regarded as being low. Revenues from the sale of goods and services – charged services – comprise about 14 per cent of their operating incomes. The shares of other operating income items are below three per cent per item.

Tuition fees are not charged for degree education in Finland. In accordance with the Polytechnics Act (351/2003), degree education is free for students. Thus, tuition fees are not available as an institutional resource to cover costs. However, fees can be charged for other than degree education.
2.3.2 Steering tools of the Ministry of Education

The Ministry is the body under whose sphere of authority the AMKs belong (Polytechnics Act 351/2003, Section 3). The Ministry is responsible for developing education policy and international co-operation within the Finnish government. The Ministry is both a political actor and a professional organisation in its own field. It prepares laws, decrees and decisions in its policy field for the government and for Parliament. AMKs’ steering by the Ministry of Education is specified in the Act. Appendix 3 shows the state’s steering instruments in the Polytechnics Act (351/2003) and some changes that have taken place since the old Act was superseded.

Regulations

The Polytechnics Act (351/2003) and the Polytechnics Decree (352/2003) are the main statutes defining the Ministry’s steering of AMKs. This legislation determines the AMKs’ status in the education system, their mission, internal governance and administration, evaluation, teaching and degrees, the eligibility of AMK graduates for further studies, teachers’ qualification requirements, and the principle of free AMK degree education.

Operating licence

The operating licence for maintaining an AMK is granted by the Council of State (Polytechnics Act 351/2003, Section 6). The aim in regulating AMKs through the operating licences is to ensure the quality of AMK education and that there is actual demand for AMK activities (Statement of Constitutional Law Committee 74/2002).

Information

Major policy guidelines and development targets are set out in the Government Development Plan for Education and Research, which is adopted for six years and revised every four years (Polytechnics Act 351/2003, Section 8). The plan is prepared by the Ministry of Education and the hearings of central stakeholders take place during the preparation process. The plan is further based on the Government Programme of Finland.

The Development Plan for Education and Research includes targets concerning the development of AMK teaching, the degree system, and an AMK’s role in the regional innovation system and the development of the AMK network. The Development Plan for Education and Research 2003-2008, for example, specified target numbers for entrants in education for the young age group and adult education, and target number for entrants by field of study in youth education for the year 2008 (Ministry of

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17. The Finnish state steering system in higher education is described in detail in the Management and Steering of Higher Education in Finland (Publication of the Ministry of Education 2004:20).
Education 2003a, 21-22). The implementation of the policy goals takes place through target agreements (see Appendix 5).

The AMKs are responsible for providing the necessary data for evaluation, development, statistics compilation and monitoring of education for the Ministry of Education (Polytechnics Act 351/2003, Section 40). Monitoring and following-up of the contracts take place through the AMKOTA database\(^\text{18}\), reporting (result analysis submitted by AMKs to the Ministry) and other statistics.

**Contracting**

Target agreements (Polytechnics Act 351/2003, Section 8) are contractual documents in which AMKs’ major goals are agreed (Appendix 5). Thus, target agreements are the result of target negotiations. The target documents contain targets for operations and specify resources within the same document. However, targets and resources are not fully linked with each other. The empirical part of study will discuss how target agreements and financial autonomy are connected.

The three main procedures of the target agreement processes are

1. contacts between the Ministry, maintaining bodies and AMKs and with central stakeholders in numbers of national seminars, meetings and appointments;
2. document transfers
3. a target meeting at the Ministry of Education.

The whole contract process including document transfers and schedules is described on the website of the Ministry of Education (2005b).

Contracting is organised through a range of national meetings. The main function of the meetings is to hold discussions on main higher education policy targets and policy lines. As part of the document transfers, AMKs prepare documentary offers on the basis of the instructions issued by the Ministry of Education. AMKs are asked to make their offers on education supply together with proposals regarding the number of starting places, project funding and degree programmes. The Ministry of Education can also ask AMKs to deliver other accounts related to the target lines of the Development Plan for Education and Research. After receiving the offers from the AMKs, the Ministry of Education makes its counter offers. The AMK specific target agreement meetings between an individual AMK, its maintaining body and the Ministry of Education are held at the Ministry.

The final target agreements are concluded for a three-year period. The previous target agreements were for 2004 to 2006 and the current one for 2007 to 2009. The partners of a formal target agreement are the Ministry, the AMK and its maintaining body a national database maintained by the Ministry of Education.\(^\text{18}\) AMKOTA (2007b) is the national database maintained by the Ministry of Education.
body and they sign the agreement together. Annual planning and resources between the Ministry, an AMK and its maintaining body are agreed in a document that is called the additional agreement. The Polytechnics Act defines only the frameworks for target agreements: there are goals for the operations of the AMKs based on the central national higher education policy, follow-up of goals and central national development projects for a certain defined period.

**Approval**

To start a new degree programme requires approval from the Ministry of Education (Polytechnics Act 351/2003, Section 19). AMKs make proposals for degree programmes as part of the target negotiation process and the proposals are handled annually in target negotiations between the Ministry, the maintaining body and the institution. The Ministry makes its final decisions after the negotiations.

**Funding**

The public funding system was considered earlier in this chapter.

### 2.3.3 Steering tools of the maintaining bodies

The steering tools available in the Polytechnics Act (365/2003) for maintaining bodies are considered and compared with the previous Act on Polytechnic Studies (255/1995) in Appendix 4. In the new legislation, strategic development and approval of the budget and the appointment of a rector are the main tasks of the maintaining bodies.

**Operating licence**

The operating licence to maintain an AMK institution (Polytechnics Act 351/2003, Section 6) is the system that has existed since the establishment of the AMK sector. Thus, there are no amendments in the new Act related to the operating licence. A maintaining body makes a proposal to the state to change the educational mission of the AMK.

**Specified authorities**

A considerable reform in the current Polytechnics Act (351/2003) is that it specifies in detail the position and duties of maintaining bodies compared with the old legislation (Act on Polytechnic Studies 255/1995 and Decree 256/1995). The maintaining body

- is recognised as a formal party in the target negotiation process (Section 8)
- is authorised to set the total number of an AMK’s board members (Section 11)
- is authorised to appoint an AMK’s board members (Section 11)
- is authorised to appoint the Rector (Section 13)
Sections 11-14 in the Polytechnics Act related to governance and administration are considerably more detailed than the previous provisions (Act on Polytechnic Studies 255/1995, Chapter 3 and Section 9 Administration). The previous Act (255/1995, Section 9) specified governing organs, groups that may sit on the board, the division of the board into two sections in bilingual AMKs and that the competence of a rector is regulated by the Decree. The authority to appoint the rector, who is responsible for the management of the AMK institution, is vested in the maintaining body (Polytechnics Act 351/2003, Section 13). The number of vice-rectors is decided by the maintaining body.

Duties of maintaining bodies are specified in detail (Polytechnics Act 351/2003, Section 14). From the point of view of financial autonomy, the significant matter is that a maintaining body approves the action and financial plan and budget for AMK institution.

**Funding**

As regards funding, the crucial matter from the viewpoint of financial autonomy is that it is the maintaining body that receives the funds. One detail is that the new Act specifies that the maintaining organisation may accept contributions and donations for the development of the AMK and its operations (Polytechnics Act 351/2003, Section 36). In the previous Act (255/1995, Section 24), the recipient of this type of funding source was the AMK institution. However, in practice all these payments are transferred through the maintaining bodies.

**2.4 Autonomy of AMKs in policy documents and in their legislation**

Regulations, intentions, problems and challenges concerning the autonomy of AMKs are identified in a number of documents. Among others, there are:

- the Polytechnics Act (351/2003)
- the Government bill (206/2002)
- governmental policy documents (e.g. Development Plan for Education and Research 1999-2004)
- international higher education policy reviews (OECD 1995, OECD 2003, 2006b)
- national review (Meklin, Kohtamäki & Valkama 2000)
- statements related to the project to restructure local authorities and services (e.g. Ministry of the Interior 2005 and 2006, Uusimaa region 2006)
The development of autonomy of AMKs and also the reform of AMK legislation are firmly based on policy lines set in the international reviews.

2.4.1 Autonomy in policy documents and international reviews since 1995

There are a number of statements emphasising the autonomy of AMKs. One politically prepared intention to strengthen autonomy of AMKs can be traced to the national policy document “Development Plan for Education and Research 1999-2004” (Ministry of Education 2000, 23) that was prepared through the hearings of stakeholders and approved by the Council of State. In particular, the following goals can be drawn from the aforementioned national plan:

“Polytechnics will be developed as part of the international higher education community, with the emphasis on their status as high-standard experts on working life and its development. The autonomy of polytechnics and higher education democracy will be strengthened simultaneously with relaxed regulation. Polytechnics’ project and performance-based financing will be developed.”

“Polytechnics legislation will be amended in keeping with the findings of an international evaluation of the polytechnic reform.”

In the following, there is a grouping of types of drivers for AMKs’ autonomy specified in international reviews (OECD 1995, 2003, 2006b) and in the Government bill (206/2002).

AMKs’ status as higher education institutions

“As institutions of higher education, the polytechnics should have considerable autonomy” the OECD (1995, 112) pointed out and referred to the period of temporary AMKs. In 1995, it was the period of development of 22 temporary AMKs from their pre-merger institutions’ profiles towards a new educational and applied research profile. OECD reviewers emphasised the AMKs’ status as higher education institutions and that the amount of autonomy they enjoyed should be very high. The OECD did not refer specifically to financial autonomy. It is an open question whether financial autonomy can be interpreted to include in the “considerable autonomy” recommended by the OECD.

Forms of ownership

The various forms of ownership are the strength of the sector, but they also bring problems. There was too much diversity in the way the maintaining body can interpret its tasks (OECD 2003). The OECD reviewers (2003, 160 and 172) recommended
limiting possible ownership forms to foundations or limited companies. Redefinition of the form of ownership was again recommended in the later OECD review (2006b).

**Exercise of autonomy**

**Independent and speedy decision-making:** The co-ordination of AMKs’ autonomy with the autonomy of local authorities was seen to be necessary in order to enable independent internal decision-making for AMKs and to arrange the necessary external influence without impairing the AMKs’ own decision-making (OECD 1995, 112). The co-operation between the business sector and other parts of working life required that AMKs should be capable of speedy decision-making and to approve projects (Government bill 206/2003).

**Financial authorisation:** AMKs needed the financial authorisations from the maintaining bodies to manage their functions independently (OECD 2003, 62).

**Authority and responsibility boundaries between AMKs and their maintaining bodies and the state:** In AMKs run by local authorities, governance is organised so that authority between a maintaining body and an AMK was not clear (Government bill 206/2002). The AMKs have academic development responsibilities and they had to be separate from the legal and administrative responsibilities of the state and the maintaining bodies. AMKs were seen as being relevant actors, able to decide on all internal administrative and academic issues (OECD 2003, 178-179).

**Local steering**

**Local governance structures:** The board or board of management of the joint local authority usually carried out tasks of the governing board in municipal AMKs. However, as municipal administrative bodies they could not fulfil demands for higher education autonomy or higher education democracy. (Government bill 206/2002.) There were inefficient local governance structures in some cases (OECD 2003).

**Role of internal board and role of owners through a board of trustees:** An internal board would be responsible for all academic decisions and for internal administration and the board would be chaired by the rector. An external board composed of the owners would function as a kind of board of trustees. It would be responsible for approving the economic plan, the budget, as well as appointing a rector and representing the interests of the owners and other factors form the regional community in which the institution is located (OECD 2003, 178-179).

**State steering**

Budget process: There was lack of adjustment of budget requirements and procedures between the Ministry of Education and local authorities (OECD 2003, 177-178).

**Models and mechanism of public funding:** The funding structure reflected the establishment period of the AMK sector because it is input oriented and rather diversified and fragmented. There were funds earmarked for specific projects outside
the negotiation about unit price funding of AMKs. The process of negotiating the number of student places with the Ministry was lengthy, detailed and inefficient. The length and detail of the funding mechanism were against institutional autonomy and the ability to respond to student preference. (OECD 2003, 176-187.)

The funding was not agreed for the institution as a whole, but rather per field of study for each institution. The separate funding streams for adult education students and mainstream AMK students should be combined in the total allocation. Performance-based funds were separate from core funds and this does not support a shift from input to output steering. (OECD 2003, 185-189.)

To sum up, the specified drivers are mostly related to AMKs’ authority to practise autonomy in general. Many of them have links to how financial autonomy of AMKs emerges. Matters related to financial authorisation, budget process, models and mechanisms of public funding are all important.

### 2.4.2 Autonomy in the legislation in 2003: restricted to internal matters

The autonomy of AMKs in terms of internal matters is guaranteed in the Polytechnics Act (351/2003, Section 3). The legislation restricts the autonomy with the words “internal matters”. Freedom in the teaching and research of AMKs is also guaranteed in the Polytechnics Act (351/2003, Section 16). The division into autonomy of internal matters and freedom of research and teaching is how the legislation classifies the autonomy. The latest AMK legislation is new and interpretations on autonomy in AMKs and in their maintaining organisations are an ongoing process.

**Internal matters**

According to the Government bill (206/2002), the aim is to guarantee the same type of autonomy for the AMK institutions as higher education institutions usually have. In the higher education literature reviewed (see Chapter 3), certain approaches, dimensions and aspects in the autonomy of higher education institutions can be recognised. What can be regarded as usual contents of autonomy depends on the higher education system and on its legal, political and cultural contexts and also on an individual higher education institution in question (e.g. Neave 1998).

The authority to decide on institutions’ internal governance and administration, and organisation belongs to the institutions within the framework of the Polytechnics Act (351/2003) and Decree (352/2003). The following areas of autonomy can be drawn from the Polytechnics Act (351/2003):
– internal governance and administration (Sections 11-14)
– student issues (Sections 22, 25 and 29)
– appointment of teachers (Section 29).

The tasks of the AMK board are defined in the Polytechnics Act (Section 12). Internal administration is strengthened by the establishment of internal regulations that are under the authority of AMKs (Section 13a). AMKs’ internal governance and administration may prepare matters that fall within the authority of the maintaining body. According to the Polytechnics Act, an AMK should prepare a proposal to its maintaining body on matters concerning budget and financial plans and changes in the educational task of the institution and establishment of new study programmes.

Financial issues form a large area of matters without specification in the provisions of the Polytechnics Act (351/2003). Among other things, it is laid down that AMKs have the authority to decide on foundations for the distribution of appropriations received by the institution.

The detailed content of the autonomy of AMKs is not defined in the legislation. Accordingly, there are no exact or specific legal boundaries to their autonomy. There are few documents that explain what is meant by internal matters because the AMK institutions and the legislation are new. The Ministry of Education (2003b) has defined internal matters in the following way:

“The internal matters of AMKs are all those matters which are specified or provided for in the Polytechnics Act or issued under the Polytechnics Act for the AMK institutions”.

“Ammattikorkeakoulun itsehallinnon piiriin kuuluvia asioita eli sisäisiä asioita ovat kaikki ne asiat, jotka ammattikorkeakoululaissa tai sen nojalla säädetään tai määrätään ammattikorkeakoulun tehtäväksi.”

According to this statement, internal matters are derivable from the specified regulations. There is also another explanation for internal matters suggested by the Ministry of Education and it is based on an antithesis: the AMK’s autonomy in internal matters is the opposite of matters that are under the authority of the maintaining body or the state (Rajakylä 2003, 5). The areas of autonomy can be found after defining in more details decision-making boundaries between the AMKs and the state and between the AMKs and the maintaining bodies.

When considering matters of higher education institutions two dimensionally, as internal and external matters, it seems that it is impossible to have autonomy in terms of external matters. This is because external matters belong to some external actor’s sphere and authority. Thus, an AMK’s autonomy can de facto comprise matters that are AMK matters or AMK’s internal matters. This is also what Rajakylä (2003) refers to above.
Teaching and research
AMKs have the authority to decide on their teaching and research arrangements. Freedom of teaching and research is the freedom of institutions according to the legislation. The institutions are entitled to exercise teaching in the way the institutions prefer, within given regulations. The Polytechnics Act (351/2003) prescribes the following:

1) teaching is to be provided on the basis of the requirements of the labour market for the purposes of professional expert work and so as to support an individual’s professional growth
2) applied research and development work has to serve the AMK’s education and the needs of labour markets and regional development and region’s economic structure
3) adult education has to maintain and consolidate the skills required by employees.

There are certain restrictions for the purposes of teaching, applied research, regional development and for adult education. In this way, the legislation emphasises close interaction between the AMKs and their environment.

Two main principles of the AMKs’ autonomy are specified in the Government bill (206/2002):

1) the members of the AMK institutions are the appropriate actors to make decisions concerning the AMK’s teaching
2) the central task of the institutions is to influence regional development and to promote business and other aspects of work life.

The above-mentioned Government bill also highlights that the co-operation between the business sector and other aspects of working life requires AMKs to be able to make decisions speedily and to be able to decide on necessary co-operative projects, for example.

The Government bill emphasises who the decision-makers concerning teaching are, what the central tasks of the AMKs are, what kind of decision-making AMKs should be enabled / entitled to make, and what the AMKs should have authority to make decisions about, when working in interaction with business and other aspects of work life. It is stated in the aforementioned Government bill that AMKs should have limited decision-making authority in co-operation with the environment. This could include, for example, research projects and regional development projects.

Legal interpretations of autonomy of AMKs
Few administrative cases have been brought in the Supreme Administrative Court of Finland. Decision-making on the organisational reform of an AMK run by a joint local authority falls within the authority of the joint council, and appealing against this
decision takes place according to the Local Government Act (Supreme Administrative Court 2007). The appeal authority for decisions taken by the rector of a joint local authority run AMK is the board of the joint local authority and not the Administrative Courts (Supreme Administrative Court 2006). There were also two other cases from 2002 and 2005. The cases dealt with specifying which authority is the appropriate one for processing appeals. This is to say, with which authority someone should lodge his/her complaint.

In Finland, there is no higher education act common to the entire higher education system. Hence, the autonomy of AMKs and of universities is guaranteed in different legislation. The legal basis of the autonomy of universities rests on the highest level of legislation, the Constitution of Finland (731/1999, Section 123), and on the Universities Act (645/1997, Section 2). The AMK institutions are not mentioned in the Constitution (731/1999). In addition, there is the following constitutional freedom for the universities: “The freedom of science, art and higher education is guaranteed” (Constitution 731/1999, Section 16).

The Constitutional Law Committee (72/2002) paid attention to a relation between constitutional university autonomy and AMK autonomy. The statement of the Constitutional Law Committee was required in the first place because of the constitutional self-government of the Finnish local authorities and of the strong need to co-ordinate AMKs’ autonomy within the context of the self-government of local authorities.

According to the Constitutional Law Committee (72/2002) the Government bill (206/2002) was not contrary to the constitutional self-government of the local authorities and the new Act was handled in the ordinary law process. The constitutional autonomy of universities was referred to as follows:

“The Committee believes that the principles of self-government cannot be totally left without any meaning when AMKs are developed as part of the Finnish higher education system. Thus, the AMK legislation based on autonomy of AMKs has to be accepted.”

“Valiokunnan mielestä itsehallinnon periaatteita ei toisaalta voida jättää vaille merkitystä kehitettäessä ammattikorkeakouluja maan korkeakoululaitoksen osaksi. Ammattikorkeakoulun itsehallinnon ajatukselle rakentuva lainsäädäntö on tämän vuoksi hyväksyttävä.”

There are no legal provisions described as ‘financial autonomy’ either in the AMK legislation or in the university legislation.
2.5 Conclusions

This chapter illustrated that it is in many respects a complex context in which autonomy of the AMKs emerges. A number of elements are related to the research problem specified for this study.

When AMKs were established, no new and single type of maintaining system was created or developed specifically for the AMK sector. There are together four legal forms of maintaining bodies. As different types of maintaining organisations, their formal purposes as organisations vary. Hence, AMKs may face varying types of interests. However, a certain legal form as such does not demonstrate connections to appearance of financial autonomy of an AMK.

The steering system of higher education institutions is important from the point of view of the frameworks of autonomy of higher education institutions (see e.g. Felt & Glanz 2003, Gornitzka & Maassen 2000, Kogan & Hanney 2000, van Vught 1997a). The Polytechnics Act (351/2003) divides AMKs’ steering into state steering and local steering. Both actors exercise their steering separately. A number of steering tools available for the state and the maintaining bodies were identified. However, a diversified system of maintaining bodies does not provide for the AMKs identical local steering structures as regards their governing bodies or other organisational structures. In addition, memberships of governing bodies vary between private and municipal maintaining bodies.

Maintaining bodies as actors and with regard to their organisational structures are not identical. These are important in shaping organisational regulatory behaviour and regulatory processes (Christensen & Laegreid 2006, 18). Organisational structures are also important because organisational hierarchy shapes authority relationships, information flows and interaction (Whitford 2002, 173; see also De Boer 2002, 45). Thus, it cannot be argued that financial autonomy of AMKs in relation to their maintaining bodies can be understood through the system of state steering of AMKs. Hence, the study cannot be limited to examining financial autonomy only in relation to the state or in relation to the maintaining bodies through locating local steering under the state steering.

Memberships of the organs in the municipal maintaining organisations are tied to residents eligible to vote in their respective localities with some exceptions. The local elected officials operate in the context of local party politics. The interest pressures and interest group control may also emerge concerning AMKs. This may also manifest as the different, conflicting or ambiguous goals and influence and interests of other actors within one single steering actor (cf. Kickert 1997, 740). In organisations under private law linkages to local politics are not necessarily so apparent and observable. The AMKs are not entitled to appoint members to the governing bodies of maintaining organisations. In AMKs run by different maintaining bodies, there are politically different operating environments and all have their own goals and strategies.
From the steering and regulative systems of the AMKs follow certain aspects connected to the financial autonomy of AMKs and to their position as entities. The unit price funding system is similar in all AMKs and the funds are paid to the maintaining bodies. Since the legal capacity is held by the maintaining organisations, the AMKs are units under the maintaining organisations. The AMKs fall under the budgetary power of their maintaining organisations which connect them to financial operating environments of maintaining bodies.

The policy documents reviewed recognised several challenges in autonomy of the AMKs. They are related to the status of AMKs within maintaining organisation, financial authorities, and boundaries of authority and in general level of autonomy. In relation to the state mention was made of earmarked project funds and the diversified and fragmented public funding model. Many specified challenges are linked to aspects of financial autonomy.

AMKs’ autonomy is guaranteed by allowing them their own internal governing bodies and internal regulations (Polytechnics Act 351/2003, Sections 11-14; Polytechnics Decree 352/2003, Section 2). However, there are also restrictions related to their decision-making; certain matters specified in the legislation are decided and approved by maintaining bodies. Financial autonomy as such is not mentioned in the AMK legislation. The legislation guarantees autonomy in internal matters for the AMKs. However, it is not clear what exactly these internal matters cover. Autonomy guaranteed by the state legislature means legal autonomy (Christensen & Laegreid 2006, 30).

On the whole, regulative environments of AMKs are dispersed and are set up by two levels of actors – the state and the maintaining bodies. The AMK institutions themselves are also partly authorised to establish frameworks for financial autonomy within the institutions but within the local and the national regulative frameworks. However, system level regulations are frameworks and do not demonstrate how financial autonomy from the perspective of an individual AMK appears.

This chapter contextualized the research phenomenon. Its purpose is to serve as a bridge towards conceptualising and situating the phenomenon of financial autonomy in an applicable way within the AMK context and that is relevant to learn before reviewing previous research on autonomy in higher education.
3. Overview of studies on autonomy

This chapter considers earlier international autonomy-related studies on higher education institutions and autonomy-related studies on AMKs in Finland. The goal is to review how the studies identified and considered the unit under analysis (i.e. an actor whose autonomy is studied), what concepts were applied, what aspect(s) of autonomy was studied and in relation to whom or what autonomy was studied. These questions are identified from the literature as schemas related to the phenomenon of autonomy. The limited review can also show how this research is connected to previous studies on the autonomy of higher education institutions.

3.1 International studies related to the autonomy of higher education institutions

3.1.1 Unit under analysis and concepts applied

The studies reviewed analysed autonomy primarily from the perspective of the higher education system. Thus the focus in this review is not on the individual or internal unit levels. Basic alternative perspectives on autonomy in the higher education context can be at individual level, unit level, institution level and system level. This categorisation into four levels within the higher education system has been proposed by Becher and Kogan (1992, 9; see also Clark 1983, 108-110, who identifies six levels: basic unit, individual university or college, multi-campus administration, state in a federal system, provincial or municipal government and national government). The studies were mostly published in Western Europe and the United States.

The nature of autonomy as a multidimensional concept appears in the use of many autonomy concepts and various dimensions within the same concept. In the higher
education literature reviewed, autonomy was referred to in several ways, including for example

- administrative autonomy (e.g. Volkwein & Malik 1997, Wasser 1995)
- personnel autonomy (e.g. Volkwein 1986)
- institutional autonomy as university autonomy (e.g. Dill 2001, Ordorika 2003, Moses 2007, Neave 1988, Tapper & Salter 1995)
- financial autonomy (e.g. Cazenave 1992, Rothblatt 2002, Sheehan 1997)
- budget autonomy (e.g. Volkwein 1986)

There were both empirical and theoretical studies. Some of these studies employed or referred to definitions of institutional autonomy (e.g. Sizer & Mackie 1995, Tight 1992) developed by Ashby & Anderson (1966). Some studies (e.g. Askling, Bauer & Marton 1999, Dill 2001, Goedegebuure et al. 1993, Tight 1992, Tapper & Salter 1995, Volkwein & Malik 1997) used the definition of institutional autonomy developed by Berdahl (1990) and others (e.g. Kogan & Marton 2000, Kohtamäki 2004) applied the institutional autonomy espoused by Frazer (1997). In some cases, autonomy as a concept was not defined but issues of institution level autonomy were addressed (e.g. George & McAllister 1995, Amaral & Magalhães 2002).

Institution level autonomy was also referred to through university autonomy and operational autonomy (e.g. Jongbloed et al. 2000; Felt & Glanz 2003) and higher education institutions’ autonomy (Sizer & Mackie 1995). Felt and Glanz (2003) referred to entrepreneurial autonomy. By entrepreneurial autonomy the authors mean that higher education institutions can maintain their autonomy only by attracting funding from diverse sources and the running of the institution is increasingly shifting to managerial-style models (Felt & Glanz 2003). The way of exercising institutional autonomy was described to be conditional autonomy (Neave 1988, Neave & van Vught 1991).

Autonomy in itself was referred to as a ‘notion under change’. One pervasive finding was that autonomy varied over time (see e.g. Felt & Glanz 2003, 29; Ordorika 2003, 384; Tapper & Salter 1995, 59; Sizer & Mackie 1995). Felt and Glanz (2003, see also Michael & Holdaway 2001, Olsen 2005) suggested that there is no longer any idealised notion of autonomy due to conceptualising higher education as an enterprise. Various dimensions within autonomy are described in the following.
3.1.2 Issues under consideration

Issues of autonomy in the context of higher education institutions were linked to matters such as financial, administrative, academic and personnel issues, as the list of different concepts above demonstrated. They were studied, for example, by measuring the leeway or flexibility to exercise autonomy (e.g. Fisher 1988, Volkwein 1986, Volkwein & Malik 1997), by specifying limiting and/or contributing elements within autonomy (e.g. Askling, Bauer & Marton 1999, Bast 1995, Bladh 2007, Berdahl 1990, Felt & Glanz 2003, Murasawa 2002, Ordorika 2003) and by addressing what ought to be included as part of the autonomy of a higher education institution (e.g. Dill 2001, Sizer & Mackie 1995). In a number of studies, financial issues were examined as part of the autonomy of higher education institutions (e.g. McDaniel 1996, Ordorika 2003, Slaughter & Leslie 1997, Volkwein 1986, Volkwein & Malik 1997).

Institutional autonomy in different higher education systems was measured and levels of autonomy were compared by McDaniel (1996, see also Fisher 1988, Volkwein & Malik 1997). McDaniel (1996) with matters of autonomy grouped into finance, management, education, personnel and students. Fundamental matters of autonomy of higher education institutions were specified as being academic affairs, appointment of staff, recruitment of students and content of courses (Sizer & Mackie 1995). Changes in institutional autonomy were considered in areas of staff, students, curriculum and teaching, academic standards, research and publications, governance, and administration and finance (Moses 2007). Sustaining the competitive position of a higher education institution required important autonomy-related components such as lump-sum appropriations, the autonomy to make purchases and sign contracts, the authority to set and retain tuition fees, the autonomy to control the human resources of a higher education institution, and the ownership and management of facilities (Dill 2001). From the perspective of the management of university funds, important matters of university autonomy were defined as being lump sum funding, employment of university staff, property and infrastructure, tuition fees, acquisition and spending funds obtained from the private sector (Jongbloed et al. 2000).

Financial flexibility as part of institutional autonomy was measured by nine factors: the form of budgeting, the authority to transfer funds between categories, the authority to retain and control tuition revenues, the authority to retain and control other revenues, the existence of external position ceilings for academic staff and for other employees, the freedom from pre-audit of expenditures, own rules for year’s-end balances (carried over vs. returned) and the authority to instigate one’s own checks on payroll and purchases. (Volkwein 1986, see also Volkwein & Malik 1997.)

Higher education institutions also deal with new policy issues like intellectual property, new relationships with industry, new forms of fund raising and development arrangements (Jones 2002, 229) and in general policy issues related to interactions with society. These new policy issues do not concern, for example, only academic and
administrative issues, but rather they have links to financial issues and also to personnel issues. The traditional authority boundaries seem not to be always consistent with the new policy contexts of higher education institutions.

3.1.3 Autonomy in relation to state

Internally and externally, there are a number of stakeholders in relation to which autonomy can be considered\(^1\). The main focus of the studies reviewed is on the relationships between institutions and the state (e.g. Berdahl 1990, Dill 2001, Fisher 1988, Jongbloed et al. 2000, Kogan & Marton 2000, Murasawa 2002, Ordorika 2003, van Vught 1994, 1997b). This addresses the importance and significance of state authorities for the autonomy of higher education institutions\(^2\).

The autonomy of an individual higher education institution is strongly circumscribed by the broad parameters of the state and by mechanisms created by the funding bodies that give substance to the mechanisms (Tapper & Salter 1995, see also Bladh 2007, George & McAllister 1995, Moses 2007, Sizer & Cannon 1999, Slaughter & Leslie 1997). Hence, higher education institutions are able to control their own affairs while operating within centrally defined and regulated parameters. The framework parameters set the level of resources for higher education, ensuring that funding decisions are tied to the outcomes of the accountability procedures and that higher education institutions act without problems in their financial management. For higher education institutions, this means that they have to make choices within externally imposed boundaries that may discriminate against some decisions while encouraging others. (Tapper & Salter 1995.)

According to Neave and van Vught (1991) autonomy is conditional in the sense that it required meeting goals set by national governments. The introduction of conditional contracting into state-higher education institution relations – related for example to funding, selling teaching and research services - implies that a higher education institution is viewed as an agency for public enterprise. Each contract involved negotiating

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\(^1\) Amaral and Magalhães (2002, 11) define higher education institutions’ stakeholders as internal and external categories of stakeholders. Internal stakeholders are those who participate in the daily life of the institutions. External stakeholders are those who have interest in higher education but are not members of the higher education community.

\(^2\) In state - higher education institution relations, there may be more dimensions depending on the type / kind of state system (Berdahl & Millett 1991). In federal systems such as Austria, Australia, Canada, Germany and the United States, both the federal level and the individual state government level systems need to be taken into account in the analysis of the autonomy of higher education institutions. In countries with federal systems of government, there will usually be two levels of government to be taken into account (e.g. in the USA, the federal government and the governments of the 50 states, or in Germany, the federal government and the 16 states (länder). In these nations, the dual nature of government will have to be taken into account when considering institutional autonomy.
specific terms and setting particular conditions. (Neave & van Vught 1991, 244-245; see also e.g. Jongbloed et al. 2000.)

In the empirical study of the nature of state control and the autonomy of public higher education institutions it was found that state characteristics in the United States are weakly correlated to measures of regulation and autonomy. Instead, age, size, wealth, academic staff (‘faculty’) and student quality are significantly associated with control and autonomy of higher education institutions. (Volkwein & Malik 1997.)

Van Vught (1994, 1997b) divides state higher education steering strategies into the state control model and the self-regulation model. The state control model implies centralised bureaucratic control and the self-regulation model a reduction of state control and decentralised decision-making. In the first place, these two differing strategies reflect changing directions in state steering and in the way higher education institutions achieve more autonomy through decentralisation and deregulation. According to Meek and Wood (1997, 264), neither state control nor state supervisory strategy is ever fully realised in practice. There are more variations in state steering paradigms than just these two. (See also Goedegebuure & De Boer 1996, Gornitzka & Maassen 2000, Kogan 1998, Meek & Wood 1997.)

The use of certain types of tool in state steering is reinforcing and state control is oriented towards output control rather than input control. This implies that the emphasis is shifting from input to output control and monitoring is focused on the results achieved from the resources applied. Procedures of performance measurement regarding quality and accountability are introduced by the state authorities. An increase in institutional autonomy implies a decrease in state interventions in the daily activities of higher education institutions. Increases in accountability mechanisms imply withdrawal from process control over to control of output of institutions. (Neave & Van Vught 1991.)

In a comparative study on state-higher education relationships between England, Sweden and Norway it was found that the role of the state is changing. The autonomy of higher education institutions is reframed in the contexts of the shift to a knowledge society, ideas of the NPM and shared institutionalised values. The appropriate level of state intervention is sought in all countries. (Kogan & Marton 2000.)

The development of state steering mechanisms in eight Western European countries in the period 1975 to 2000 shows a mix of different steering models in several European countries (England, Finland, Norway and Portugal). State steering models may appear differently within the same country in terms different types of higher education institution and between public and private higher education institutions (Austria, Finland, Norway, Portugal). The role of the state has become less dominant in all of these countries with the exception of England. The general trend in steering is towards a combination of market and state. In some countries, the emphasis of the state steering model is on the quality of teaching and research (Flanders, the Netherlands) and correspondingly in some countries the focus is on contracts between the
state and higher education institutions (England, Finland). A policy aim is to increase autonomy but the existing and new regulations and tools seem to be more control-oriented. (Gornitzka & Maassen 2000.)

States and other actors permit autonomy for higher education institutions but retain their option to exert influence and used it when they see fit. There is room for autonomous decision-making in certain issues but the state control functions do not disappear. State intervention takes place in a more indirect and complex way than in the past. (Felt & Glanz 2003, see also Scott & Hood 2004.)

There are policies to change the funding of higher education institutions from block grants to funding for specific goals and making institutions more competitive. Institutions move from public funds towards higher tuition fees and grants and contracts, private donations and other competitive sources of money. The shifts in revenue shares between funding bodies and the different nature of the expectations of those bodies are significant. The data for the study is from the United States, the United Kingdom, Canada, and Australia. (Slaughter & Leslie 1997.)

3.1.4 Conclusions

Autonomy is an important characteristic of a higher education institution (see e.g. Berdahl 1990, Clark 1983, Neave 1988, Neave & van Vught 1994, Shattock 2003) and in the international studies autonomy was amply studied from the system level perspective. The autonomy studies reviewed can be categorised into three groups (the categories are neither strict nor exclusive and a number of studies could be located in more than one group) on the basis of their content:

1) studies on changes, trends and developments, reforms and policies (e.g. Felt & Glanz 2003, Fisher 1988, Kogan & Marton 2000, Moses 2007, Neave & van Vught 1991)
2) studies relating to steering, governance and management (e.g. Gornitzka & Maassen 2000, McDaniel 1996)
3) studies focusing on the limits of autonomy or the extent of autonomy (e.g. Askling et al. 1999, Moses 2007, Ordorika 2003).

The units of analysis were higher education systems and higher education institutions. Higher education institutions in these studies were not explicitly defined to be or act as independent economic entities. The concept of institutional autonomy was mostly applied. Institutional autonomy was primarily studied in relation to the state and state steering. The focus in the autonomy was on higher education institutions’ authority to practise autonomy in terms of specified matters. The importance of autonomy in financial issues was recognised and studied but as a part of institutional autonomy.
Accordingly, financial autonomy was mostly studied through the concept of institutional autonomy.

Even if a certain concept of autonomy is selected and applied, there are still variations in how autonomy appears and is manifest. An actor’s legal autonomy, formal autonomy and actual autonomy are not necessarily identical (Christensen & Laegreid 2006, 30; Ordorika 2003, 384; Ziegele 1998, 7).

Legal autonomy is autonomy prescribed by law. Formal autonomy implies autonomy that can be derived from the various official documents and official procedures. Accordingly, higher education institutions operate within certain regulatory frameworks or boundaries that determine many elements in terms of their autonomy (e.g. Tapper & Salter 1995). However, this type of formal autonomy or derived autonomy (Shattock 2003, 181-182) does not reveal actual autonomy. Actual autonomy is related to how autonomy is realised (e.g. Christensen & Laegreid 2006, 30). In the studies reviewed this was considered through steering and influence exerted by the state or funding bodies.

As many studies demonstrated, state authorities and other stakeholders exert influence when they deem it necessary. A number of studies have focused on how state authorities or funding bodies ‘control’, ‘influence’, ‘restrict’, ‘intervene’, ‘supervise’, ‘regulate’, ‘review’, ‘monitor’, ‘oversee’, ‘co-ordinate’ or ‘steer’ higher education institutions. Thus, the international research so far has tended to focus on and note the importance of state steering and steering mechanisms. A few studies have also analysed or discussed the responses and actions of higher education institutions towards the policies and actions of state authorities and funding bodies or other stakeholders. The shift towards contracting, conditional autonomy and performance-based steering mechanisms (Neave & van Vught 1991) highlights interaction- and exchange-based relationships. Hence, it is relevant to study the actions of both the state and the higher education institution. Slaughter and Leslie (1997) is one example of a study conducted from this perspective.

McDaniel (1996) made two interesting claims regarding state influence on higher education institutions. First, when states exercise influence on higher education institutions, the higher education institutions are subject to legislation that has been made for purposes other than higher education policy. Second, the possible absence or limited influence of the state in some areas does not mean that the higher education institution has full autonomy in these areas. There is often some other powerful actor replacing the state. (McDaniel 1996, 140-141.) McDaniel’s (1996) first point presumably also stimulates reactions from the higher education institutions. The second point demonstrates that higher education institutions are part of a wider network and there are also relevant stakeholders other than states that have to be taken into account. This could also lead to different manifestations of the actions of higher education institutions.
3.2 Finnish studies on autonomy

Previous studies and reports related to the Finnish AMK sector have tended to focus on the following perspectives:

- AMKs’ operating licences (e.g. Raudaskoski 2000, see also Antikainen 2002)
- management (Huuhka 2004, Toikka 2002)
- ownership steering (Nyyssölä 2008)
- state steering and local steering (e.g. Temmes, Ahonen & Ojala 2002, see also Antikainen 2002)
- financial administration (Meklin, Kohtamäki & Valkama 2000)
- establishment and subjects related to establishment processes of institutions and volumes of education (e.g. Lampinen 1995b, Orelma 1992)
- organisational culture (Jaatinen 1999)
- discursive space of the Finnish AMK reform (Herranen 2003)
- implementation of competitive neutrality and AMKs with different legal organisational forms (Valkama 2004).

The Finnish Higher Education Evaluation Council (1998) conducted evaluations during the establishment phase of the AMKs, as well as a number of more recent institutional, programme and thematic evaluations. The OECD (1995, 2003 and 2006b) has produced country reports in which AMKs and Finnish higher education have been under review. There have been fewer studies on AMKs’ governance and finances than, for example, on AMKs’ education, teaching or regional development.

The autonomy of Finnish universities has been studied by Hölttä (1995), Miettinen (2001) and Vuorinen (1979), among others. In addition, national reviews by Jääskinen & Rantanen (2006 and 2007, see also Kohtamäki 2007a and 2007b) deal with the financial autonomy of universities. Hölttä (1995) studied the issue theoretically and with a case study on self-regulatory university steering. He considered the variables through which a university’s organisational processes and subsystems should be internally managed to co-ordinate their interactions with the governance environment. The perspective was at university level, and autonomy was studied in relation to the subunits of a university and to the state. Miettinen (2001) studied what is meant by the Finnish Constitutional provision “The freedom of science, art and higher education is guaranteed”. This was a study in the field of law related to the freedom of science and
the self-determination of scholars, self-governance of science and self-government of universities. Vuorinen (1979) studied how interaction between society and universities and societal development after the Second World War was reflected in changes in relation to university autonomy. He considered autonomy from the perspective of universities and in the areas of teaching, research and administration and in relation to society.

### 3.2.1 Autonomy of AMKs

The studies related to autonomy of AMKs applied the concepts of institutional autonomy (OECD 2003), financial autonomy (Kohtamäki 2004, Meklin, Kohtamäki & Valkama 2000) and self-government (Varis 2004). Autonomy in academic and administrative issues was internationally reviewed in 2003 (OECD). Financial autonomy was considered as using and raising funds (Meklin, Kohtamäki & Valkama 2000) and related to financial issues and internal governance issues (Kohtamäki 2004). Autonomy using the concept of self-government was studied with reference to teaching and research, internal governance and employment (Varis 2004).

The autonomy of AMKs was examined or referred to in reports in relation to maintaining bodies (Meklin, Kohtamäki & Valkama 2000), particularly in relation to municipal maintaining bodies (Varis 2004, Puoskari 2004), and in relation to maintaining bodies and the state (OECD 2003, Kohtamäki 2004, Lampinen 2008). This demonstrates the significance of state steering and local steering for AMKs’ autonomy.

### 3.2.2 Views on financial autonomy of AMKs

When AMK actors were asked to specify their views and experiences of financial autonomy in 1999, the experiences varied from very satisfied to dissatisfied (Table 4). The review was conducted some years before the passing of the Polytechnics Act (351/2003) and the inquiry was part of the review of the financial administration of 22 AMKs (Meklin, Kohtamäki & Valkama 2000).

To illustrate satisfaction and dissatisfaction with the financial autonomy of the AMKs a categorisation into two groups of factors (see Table 4) is presented. The sub-groups (in bold face) within the table were formulated on the basis of the content of the replies of the AMK actors (institutional level management). Their opinions regarding financial autonomy were studied in relation to their maintaining bodies.
TABLE 4. AMKs’ opinions on their financial autonomy in relation to maintaining bodies in the year 1999 (modified from Kohtamäki 2000, 83-82)

<table>
<thead>
<tr>
<th>Form of maintaining body</th>
<th>Factors of satisfaction</th>
<th>Factors of dissatisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local government authority</td>
<td><strong>Organisational position and own governing bodies</strong>&lt;br&gt;AMK’s organisational position is right under the board of the local government authority, the rector and AMK board are responsible for operations</td>
<td><strong>Adaptation and competition for resources</strong>&lt;br&gt;AMK has to adapt to operate subject to the administration of the local authority and compete with other sectors. &lt;br&gt;Adaptation to functions of the local government authority &lt;br&gt;Economy of the local government authority reflected in AMK’s operations</td>
</tr>
<tr>
<td></td>
<td><strong>Exercise of financial autonomy</strong>&lt;br&gt;Degree of autonomy is adequate with respect to operations and development of operations, fluent operations</td>
<td><strong>Administration</strong>&lt;br&gt;Centralised administration &lt;br&gt;Subject to maintaining body in staff policy &lt;br&gt;Centralised wage policy system&lt;br&gt;The maintaining system is hard and hampers the development of activities and causes additional costs &lt;br&gt;Too much of the rector’s time has to be used for administration with the local government authority</td>
</tr>
<tr>
<td>Joint local authority</td>
<td><strong>Organisational structures</strong>&lt;br&gt;The organisation of the education concern is workable and guarantees financial autonomy</td>
<td><strong>Administration</strong>&lt;br&gt;Taking a delegated matter back to the board of the joint local government authority &lt;br&gt;The rector is not a presenting official at the joint municipal board meetings relating to AMK matters &lt;br&gt;New and unexpected financial regulations issued by the maintaining body</td>
</tr>
<tr>
<td></td>
<td><strong>Responsibility boundaries</strong>&lt;br&gt;Clear division of duties between the AMK and the maintaining body</td>
<td><strong>Lack of decision-making authority</strong>&lt;br&gt;The budget determines in detail how to allocate resources &lt;br&gt;The board and council of the local government authority are decision-making bodies and not the AMK &lt;br&gt;AMK staff may make proposals and prepare matters &lt;br&gt;One investment plan for the whole maintaining body</td>
</tr>
<tr>
<td></td>
<td><strong>Pertinent, workable relationships without intrusions</strong>&lt;br&gt;The maintaining body does not intervene in the operations of the AMK</td>
<td><strong>Level of financial autonomy</strong>&lt;br&gt;Autonomy is not at its optimal level &lt;br&gt;AMK’s autonomy is comparable with the autonomy of the municipal committee &lt;br&gt;Less autonomy than in universities</td>
</tr>
<tr>
<td></td>
<td><strong>Exercise and level of financial autonomy</strong>&lt;br&gt;Extremely good &lt;br&gt;Adequate autonomy &lt;br&gt;Autonomy fairly well implemented &lt;br&gt;Autonomy in terms of operative economy</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Progress towards financial autonomy</strong>&lt;br&gt;Since the permanent operating licence autonomy has been good</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Co-operation</strong>&lt;br&gt;Close relationship between the AMK and its maintaining body</td>
<td></td>
</tr>
</tbody>
</table>

Table continued overleaf.
In some AMKs there was an adequate level of financial autonomy and in some cases there was less financial autonomy. Relationships between AMKs and their maintaining organisations were based on a clear division of duties on the one hand, and on partly unclear authority boundaries between the actors on the other. The positive experience was reflected as close relations and adequate financial autonomy. Correspondingly, negative aspects in financial autonomy were related to centralised administration or to a lack of decision-making authority of an AMK.

### 3.2.3 Conclusions

The autonomy of AMKs was reviewed and studied from the perspectives of the system level and institutional level and by considering steering by maintaining bodies and the state. The concepts of financial autonomy and institutional autonomy were applied. There were no studies on how AMKs themselves have aimed to enhance their autonomy although AMKs' earlier views on the realisation of their financial autonomy varied considerably. Both the maintaining bodies and the Ministry of Education had crucial roles to play in steering the AMKs. Internal matters related to the autonomy of AMKs were found to be unclear.
4. Financial autonomy

As the preceding chapter demonstrated, financial issues were studied mainly as a part of institutional autonomy. In this type of approach the focus is on authority to practise autonomy related to financial issues. Hence, it is appropriate to consider what is meant by institutional autonomy. The concepts of institutional autonomy and academic freedom are often confused. Thus, also academic freedom is briefly considered. This study aims to elucidate a phenomenon of financial autonomy but not through the concept of institutional autonomy. The chapter aims to develop tools to get a grip on the financial autonomy of a higher education institution.

4.1 Roots of the autonomy of higher education institutions

The origin of the word autonomy comes from two Greek words autos (self) and nomos (law) (Barrow & Milburn 1990, 30). Accordingly, it is necessary to consider “the self” (autos) which is under consideration. Generally, autonomy refers to a quality and state of an actor or unit (Oxford English Dictionary 2004) such as a state, a local authority, an organisation or an institution.

Higher education institutions themselves and their autonomy originate from various economic, historical, legal and political systems and developments which evolved in different phases (Neave 1988, 47; see also Felt & Glanz 2003, 66; Olsen 2005, 10-16). This implies that higher education institutions contain specific structures and elements from their distinctive histories that reflect and shape their autonomy and that cannot be fully understood without a profound knowledge of their wider backgrounds and contexts. There are also different interpretations of autonomy, due to the different histories of higher education systems. Historically, there are variations as to whose autonomy is emphasised, in relation to whose or what autonomy is identified, and what is regarded as the content of autonomy. Academic freedom and autonomy in Europe have their origin in the masters’ guilds that formed academic and professional privileges. In the first medieval European universities, the main autonomy related matter was the right to admit / confer academic merits that entitled the recipient to undertake teaching (Neave 1988, 33-34; Tuori 1995, 145-146). Traditionally, the autonomy of a higher education institution in Europe was associated with academic freedom. One of the basic values of higher education and in particular one basic value of academic communities is academic freedom (Clark 1983, 92-94; see also Henkel 2005, 169; Tirronen 2005, 55) and it is highly appreciated by academics. Tight (1988, 132) defines academic freedom as follows:

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3. For more on the German Humboldtian model, the French Napoleonic model, and the British tradition see e.g. Ben-David 1992, Barnett 2005, Clark 1983, Neave 1988
“Academic freedom refers to the freedom of individual academics to study, teach, research and publish without being subject to or causing undue interference. Academic freedom is granted in the belief that it enhances the pursuit and application of worthwhile knowledge, and as such is supported by society through the funding of academics and their institutions. Academic freedom embodies an acceptance by academics of the need to encourage openness and flexibility in academic work, and of their accountability to each other and to society in general.”

Tight (1988 and 1992, see also Ashby & Anderson 1966, Berdahl 1990, Berdahl & McConnell 1999, Pritchard 1998) connects academic freedom to individual academics and their freedom to study, teach, research and publish. Thus, in the context of academic freedom, the question of whose autonomy is related to individual academics. The rationale behind academic freedom is in conducting the mission of the academy: to enhance the pursuit and application of worthwhile knowledge.

Academic freedom is a worldwide academic value but according to Pincoffs (1975, vii), the concept has no clear and widely accepted definition or justification and no settled account of the way in which claims of violation may be assessed. Academic freedom can be considered in relation to other academics and to society (Tight 1992).

4.2 Institutional autonomy

In the higher education literature, autonomy at the level of a higher education institutions is referred to as institutional autonomy (see e.g. Ashby & Anderson 1966, Berdahl 1990, Dill 2001, Frazer 1997, Gornitzka & Maassen 2000, Jones 2002, Kogan & Marton 2000, Shattock 2003, Sizer & Mackie 1995, Tight 1992, and Neave & van Vught 1994). Institutional autonomy implies that the question is about the higher education institutions’ autonomy. Institutional autonomy is widely referred to (see e.g. Fulton 2000, Frazer 1997, Clark 1983, Kogan & Marton 2000, Sizer & Mackie 1995, Neave & van Vught 1994, Tight 1992, Trow 2006), and can be found more often than financial autonomy in particular in the slightly older higher education literature. In the following, I will introduce elements of institutional autonomy as they are presented in the higher education literature. Elements of institutional autonomy in the form of a list is a typical way to analyse the material content of institutional autonomy in the literature reviewed.

The institutional autonomy of universities was analysed by Ashby and Anderson (1966) who identified six essential ingredients of an autonomous university that matter most:
1) freedom to select students
2) freedom to recruit staff
3) freedom to set own standards
4) freedom to decide to whom to award degrees
5) freedom to design curriculum
6) freedom to decide how to allocate incomes received from the state or private sources

(Ashby & Anderson 1966, 293-296)

In addition to the foregoing, the authors (Ashby & Anderson 1966, 296) emphasised that full autonomy requires that non-academic members of governing bodies represent the interests of the institution, not the interests of external parties. Financial issues are specified in point 6 as freedom to make monetary allocations. The listing developed by Ashby and Anderson is based on the tradition of viewing autonomy as a set of positive freedoms (‘freedom to’). These freedoms specified the kind of actions that should be possible for an autonomous higher education institution. The authors’ category is well-known, it is presented in the Encyclopedia of Higher Education and is applied by a number of authors (see e.g. Tight 1992, Sizer & Mackie 1995). Ashby and Anderson refer to ‘full autonomy’, but according to current viewpoints on autonomy it is always a question of the level of autonomy of a higher education institution (Felt & Glanz 2003, 14).

Each aspect of institutional autonomy can include several sub-groups, and within each aspect there are various additional dimensions. Appointment of staff is one good example. In a higher education institution, the staff cover a range of groups and within each group, the staff may be full-time or part-time and permanent or temporary. Institutional autonomy may vary in the freedom it provides for appointments to be made within these staff categories.

Berdahl (1990, 171-172) divided institutional autonomy into 1) substantive autonomy and 2) procedural autonomy. In his approach, autonomy is a power held by institutions and means the power of the institution to determine its own goals and programmes. This is related to the mission of the institution, its curriculum and its programmes. Procedural autonomy is the power of the institution to determine the means by which its goals and programmes will be pursued, or implementation of the goals and programmes (Berdahl 1990, 171-172). Berdahl viewed the higher education institution as a whole and as an entity with its rights and his definition is widely referred to and applied (see e.g. Askling et al. 1999, Bladh 2007, Dill 2001, Tight 1992, van Vught 1994, Volkwein & Malik 1997). The two-part definition developed by Berdahl is wide and leaves room for higher education system-specific interpretations. Volkwein and Malik (1997), for example, applied substantive autonomy to study autonomy in academic issues and procedural autonomy to study autonomy in administrative issues.
Frazer (1997, 350) pointed out that one should always qualify autonomy by reference to some attribute of the institutions in question. He specified the following features in the extent of autonomy:

1) legal status of the institution  
2) authority to operate as a higher education institution  
3) mission  
4) governance  
5) financial decisions  
6) employer status  
7) academic matters.

The author approaches autonomy by considering whether a higher education institution has authority in terms of the aspects specified above. Frazer also included the legal status of an institution in his list. Academic authority, employment and financial decisions are similar to the categories used by Ashby and Anderson, and areas of academic authority and mission are similar to Berdahl’s substantive autonomy. By governance the author means whether an institution has authority to appoint its governing body and to decide on the composition of that governing body. Kogan and Marton (2000), for example, applied elements of Frazer’s autonomy when studying the state’s role in relation to higher education in British, Swedish and Norwegian universities. Fulton (2002) referred to Frazer in his study on governance in British higher education institutions as also did Kogan and Hanney (2000).

On the whole, aspects within institutional autonomy are linked to the wider fields of academic, governance, legal and financial affairs. Institutional autonomy deals with the institutional level and is a matter of an institution. The following section illustrates how the concept of financial autonomy can be approached.

### 4.3 Financial autonomy

Financial autonomy is one concept among others referred to in the field of higher education. It is a concept that is used when interests simultaneously concern 1) financial issues and 2) autonomy. Thus, financial autonomy combines financial issues and autonomy. However, what all financial issues together with autonomy contain cannot be comprehensively expressed.

Financial issues are related to finance or money matters (Oxford English Dictionary 2004). The book ‘Finance in Higher Education’ (Yeager, Nelson, Potter, Weidman & Zullo 2001) describes the following as institutional-level financial matters: institutional resources, higher education expenditures, strategic planning and resource allocation and institutional financial management. Accordingly, it can be said that financial issues
are related to resources, expenditures, resource allocation and financial management. A number of other issues lies behind each of them. For the purposes of this study, in the consideration of ‘finance’ the focus is on the resources critical to maintain an organisation in operation. The resources may be both monetary and non-monetary. According to Slaughter and Leslie (1997, 69-71; see also De Witt & Verhoeven 2000, 422) the critical resources in higher education institutions include physical plant, staff, students, utilities and money.

In the context of institutional autonomy, financial issues are located and understood to be one area of institutional autonomy (e.g. Ashby & Anderson 1966, Frazer 1997). One element in the category developed by Ashby and Anderson (1966) focuses on the freedom to decide how to allocate revenue from public and private sources. This view considers allocations of monetary resources. Budgetary authority is close to this approach. However, it can be questioned whether the authority to allocate monetary resources reveals all relevant elements of financial autonomy of a higher education institution. One crucial element in financial autonomy is also the authority to raise public and private funds. Both the authorities for raising and using monetary resources are crucial in financial autonomy. These considerations limit financial issues to monetary resources. Moreover, they do not analyse the features of an entity that has freedom to use these resources. However, Frazer (1997, 350) emphasised that in considering autonomy, one should always consider the characteristics of the institution. In the following, the aim is to analyse literature in which financial autonomy is studied.

The research literature reviewed has been analysed by developing the following categories in order to specify how financial autonomy is approached:

**Unit of analysis:** This demonstrates whose financial autonomy is under consideration. It refers to whose or what autonomy is being studied.

**View of financial autonomy (aspects or actions to be pursued within financial autonomy):** This is concerned the material content of financial autonomy. Views refer to what is regarded to be financial issues.

**Mechanisms of organising or restricting financial autonomy:** These features are mechanisms related to an entity and how its use of financial autonomy is made possible or restricted.

On the basis of these categories, the table below summarises the approaches to financial autonomy found in the research literature. The grouping and the structure (bold face in the table) have been developed for the purposes of this study. They will not be found as such in the authors’ own analyses. The groupings in the table are not absolutely strict. Some elements could be located in more than one cell.

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4. Barney (1991, 101-102) divides resources into four types: 1) financial resources (e.g. equity capital, debt capital, retained earnings, etc.), 2) physical resources (e.g. the machines, factories, and other tangibles used by a firm), 3) human resources (e.g. the experience, intelligence, training, judgement, and wisdom of individuals associated with a firm), and 4) organisational resources (e.g. the teamwork, trust, friendship, and reputation of groups of individuals associated with a firm).
### TABLE 5. A structure for analysing literature on financial autonomy

<table>
<thead>
<tr>
<th>Author</th>
<th>Unit of analysis</th>
<th>View on autonomy: aspects of financial autonomy</th>
<th>Mechanisms of organising/ restricting financial autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cazenave (1992)</td>
<td>Higher education system</td>
<td>Authority to maintain and own buildings</td>
<td>Legal capacity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Legal status of universities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Composition of governing body</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Elected president</td>
</tr>
<tr>
<td></td>
<td></td>
<td>recruitment of staff posts</td>
<td>Finances</td>
</tr>
<tr>
<td></td>
<td></td>
<td>allocate and use funds</td>
<td>Own budget</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Budget process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ex-post control</td>
</tr>
<tr>
<td>Jongbloed et al. (2000)</td>
<td>Higher education institution</td>
<td>Freedom to set level of tuition fees, acquire (income-generating activities) and spend funds from the private sector</td>
<td>Legal capacity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Transfer of property and infrastructure from the state to the institutions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Governance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Decentralisation of decisions on the terms of employment for university staff</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Finances</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lump sum funding</td>
</tr>
</tbody>
</table>

Table continued overleaf.
<table>
<thead>
<tr>
<th>Author</th>
<th>Unit of analysis</th>
<th>View on autonomy: aspects of financial autonomy</th>
<th>Mechanisms of organising/ restricting financial autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>McDaniel (1996)</td>
<td>Higher education institution system</td>
<td>Authority to Freedom to borrow money on the capital market, determine completely institutional activities with regard to commercial teaching and research contracts, keep profits</td>
<td>Finances                                                                                         Form of government budget funds Form of other significant funding sources Separateness of investment budget from operational budget</td>
</tr>
<tr>
<td>Ordonka (2003)</td>
<td>Higher education institution</td>
<td>- not specified Funding Allocation of resources Tuition</td>
<td>Finances                                                                                         Determination of who pays, funding levels and funding criteria Accountability</td>
</tr>
<tr>
<td>Rothblatt (2002)</td>
<td>Higher education institution</td>
<td>Independent decision-making Power to set and raise funds</td>
<td>Finances                                                                                         Governments funds and funds from other sources</td>
</tr>
<tr>
<td>Sheehan (1997)</td>
<td>Not analysed</td>
<td>Capacity and ability to independently allocate government or other funding, make financial decisions generate and allocate public funding sources</td>
<td>- not specified</td>
</tr>
</tbody>
</table>

Cazenave's (1992) and McDaniel's (1986) research focuses are on the system level and Sheehan (1997) does not specify any unit of analysis. Although the research is done from the higher education system level viewpoint, the authors (Cazenave 1992 and McDaniel 1986) refer to higher education institutions as entities in relation to autonomy. It is possible to consider financial autonomy at the system level, the sector level, the institutional level, and the basic unit level and even at the individual level.

The authors' analyses of autonomy delineate autonomy as 'freedom to' and 'power to' which dominate in understanding autonomy as positive freedoms distinct from negative freedoms in philosophy. Positive freedom refers to the freedom to act. Such actions and conditions are available to the agent. Independent decision-making power and independent decision-making in the above listing can be understood as referring to negative freedom. Negative freedom implies 'freedom from' interference. They are constraints that should be absent in order to ensure 'freedom to' (Hoag 1986; Reed 1980, 366-367; Simhony 1993, 30). Henkel (2005, 170) refers to bounded spaces
that are more realistic in higher education, thus ‘freedom from’ is not realistic. Instead, higher education institutions and academics are increasingly working in networks without clear-cut borders. According to Sizer and Mackie (1995), ‘freedom from’ is more or less an illusion because there are always actors to whom a higher education institution will be accountable.

Together different aspects and actions of financial autonomy comprise what the authors regard as financial issues to be pursued. Financial issues are particularly related to a higher education institution’s resources such as fund raising, allocation and use of monetary and non-monetary (human, physical) resources. Specified resources can be grouped in two ways:

- monetary resources: governmental budget funds, external funds or funds from the private sector or funds from sources other than the government, borrowed funds, funds from income-generating activities, tuition fees, annual profits
- non-monetary resources: staff, posts, academic structure, student numbers, buildings, reputation, status.

There are no clear-cut theoretical or empirical definitions as to what exactly financial issues are considered to be. Conceptually monetary and non-monetary resources, for example, are distinct, but according to Volkwein (1986, 514) many budgetary and personnel items form a single item. Thus, monetary and operational matters are bound together (Jones 2002, 228; Bargh, Scott & Smith 1996, 114) and they represent two sides of the same matter.

Sheehan (1997, 125) defines ‘autonomy’ as the capacity to make financial decisions independently of the government or other funding agencies and especially the ability to generate public funding sources and to allocate those funds independently. Sheehan distinguishes both the positive and negative freedom of autonomy. Rothblatt (2002, 1834) states that independent decision-making power over the use of government funds contributes to financial autonomy and in addition to the power of higher institutions to raise funds from other sources. Both Sheehan and Rothblatt linked financial autonomy to monetary resources only. Sheehan (1997, 125) considers financial aspects as financial decisions and public funding sources. In Rothblatt’s (2002, 1834) approach, financial aspects are identified as government funds and other funding sources. Their approach to financial autonomy is similar to Frazer (1997), who sees authority on financial matters to be an element of the institutional autonomy.

Cazenave (1992) approaches a higher education institution and its financial autonomy as a unit with monetary and nonmonetary resources - public funds, staff, posts and buildings. McDaniel (1996) measured financial aspects as the authority to borrow money on the capital market; the freedom completely to determine institutional activities with regard to commercial teaching and research contracts; and the authority to keep profits (or as opposed to transferring them to the government). McDaniel (1996,
152) used the term financial autonomy interchangeably with institutional autonomy with regard to the finance part in his study.

As can be seen, there is a difference in the extent of the concept between the approach suggested by Cazenave (1992) or McDaniel (1996), and the approaches suggested by Sheehan (1997) and Rothblatt (2002). The main difference is whether the author regards monetary resources or both monetary and non-monetary resources to be elements of financial autonomy.

The last column (Table 5) ‘mechanisms of organising/restricting financial autonomy’ demonstrates how financial autonomy is recognised or possibly restricted. These are conditions for autonomy to be actualised or can also be used to restrict autonomy. From Table 5 one can derive the following mechanisms that can further be categorised into three groups:

- legal status
- own budget
- form of public funding
- lump sum funding
- de-centralisation
- separateness of investment budget from operational budget
- procedures concerning annual profits
- composition of governing body
- transfers of property and infrastructure from state to institutions.

1) Legal status (legal entity)

2) Internal governance (governed entity)

3) Finances (economic entity)

Legal status provides enabling or restrictive conditions for an institution to act as a legal person in its own name. The legal status of a legal person is a legal instrument to create a legally independent separate unit5. Without the status of legal person, an entity has no legal capacity. A legal person can own buildings and infrastructure mentioned in the list above. More precisely, the legal status of a legal person provides the basic element for being a separate and independent legal entity. In this perspective, an entity and its boundaries, likewise its actions, to other entities are important. An independent legal entity has the authority to enter into binding contracts, to seek enforcement of contract in court, and to do so in the name of the organisation and distinct from individual members of an organisation (Milgrom & Roberts 1992, 20).

Institution-level internal governance provides decision-making structures related to institutions’ finances and operations. A governing body is appointed for a certain entity and the governing body is responsible for specified affairs of the entity governed.

5. In Britain, before the 1992 higher education reform that changed polytechnics into universities, it was argued that if polytechnics were to be limited companies and registered charities, they would be legally responsible for their own incomes and expenditures (Pratt 1997, 285).
Governing boards have a significant role in governing higher education institutions (Amaral, Jones & Karseth. 2002, 287; Jones 2002, 231). Crucial issues in terms of internal governance include whether the higher education institution has its own governing body, who should select / elect board members, what the composition of the governing body is and what the governing body’s tasks are (see e.g. Frazer 1997, 351). The most important decision-making processes are those that focus on planning and resource allocation (Thompson 1998, 11). Thus, certain internal governance structures and procedures are also required for the exercise of the financial autonomy of an entity. Financial management is involved in the acquisition and allocation of resources and in the monitoring of performance resulting from such allocations (Steiss 1989, 2). This is linked to the financial affairs of governing bodies of higher education institutions.

De-centralisation has linkages to internal governance and budget issues. In de-centralisation, there are usually two kinds of expectations: 1) greater decentralisation will mobilise and generate more resources that are not available in a centralised system (how resources are generated), and 2) in decentralised systems one can utilise available resources more efficiently (how resources are used) (Weiler 1990, 47). All other mechanisms mentioned left are related to the budget issues of a higher education institution. In terms of financial autonomy, a crucial autonomy-related matter is whether a higher education institution has its own budget and how budget resources are available to the institution (e.g. Cazenave 1992, 1369). The funding system with the rules and mechanisms governing how resources are allocated to institutions is one of the most important instruments to strengthen or restrict financial autonomy. Income may come from the state or from other sources. Public funding may be separated into recurrent spending and investment spending. Separateness of funding for certain purposes narrows financial autonomy of a higher education institution. The mechanism by which funding is allocated and the form of funds may have a powerful influence on organisational behaviour (Burke 2002, 267; Sheehan 1997, 132; Williams 1984, 79; Slaughter and Leslie 1997, 66-71).

In the context of higher education institutions, an economic entity may refer to a number of different types of internal budget centres or budget units. In general, an economic entity can be a budget unit, a financial accounting unit, a reporting unit, a responsibility centre (see Jones & Pendlebury 1992, 13-15, 111 and 128), a unit under performance-based steering (Meklin 1991, 146; Ministry of Finance 2006, 49) or a unit with the capacity to allocate scarce resources to achieve objectives (International Accounting Standards Board 2005, 8). The conception of an economic entity can be traced to accounting. In accounting, an entity is referred to as follows: “It is assumed that the business can be separated from its owners and the environment within it operates. When accounts are drawn up for the entity, only those transactions that directly affect it are recorded. This assumption is necessary in order to set a boundary to the accounts” (Harvey & Keer 1978, 16).
Finances deal with management and the planning of an entity’s financial issues. From the point of view of an independent economic entity crucial financial issues are own accounting entity, own budget, own revenues and expenditures, own cash management and payment transfers, own capital and own financial management. In addition, an independent economic entity is financially responsible for the potential risks of its actions and liabilities. Financial management and steering in detail include, among others, financial planning, budgetary processes, financial control of incomes and expenditures, accounting arrangements and assets management.

On the whole, on the basis of the preceding section two major perspectives can be created to help to explore and learn how the financial autonomy of a higher education institution may emerge. They are based on differences perceived in the scope of financial autonomy. The first perspective deals with financial autonomy related to resources (Table 6). The second perspective connects the ideas of an entity with financial autonomy of a higher education institution.

TABLE 6. Two perspectives on financial autonomy

<table>
<thead>
<tr>
<th>Financial autonomy</th>
<th>Resource perspective:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1) Acquisition and allocation of monetary resources</td>
</tr>
<tr>
<td></td>
<td>2) Acquisition and allocation of monetary resources and non-monetary resources</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Entity perspective:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3) An entity: legal entity, entity’s internal governance, economic entity</td>
</tr>
</tbody>
</table>

The resource perspective is related to:

1) autonomy in acquisition and allocation of monetary resources (Sheehan 1997, Rothblatt 2002, Ordorika 2003)
2) autonomy in acquisition and allocation of monetary resources together with autonomy in acquisition and allocation of non-monetary resources (Cazenave 1992, Mc Daniel 1996)

The entity perspective is focused on:
3) mechanisms by which financial autonomy is recognised or restricted for the higher education institution as an entity (Cazenave 1992, Jongbloed et al. 2000)

Analyses in which financial autonomy is focused around freedom to raise and / or use funds are crucial. However, funding related considerations do not often pay attention to other types of resources. In education, as is the case in higher education, typical resources are financial, human and material resources (Weiler 1990, 42). Both monetary and non-monetary resources are needed to fulfil an AMK's basic functions – teaching, research and development activities. Moreover, when performance-based steering system is applied, it is also relevant to consider non-monetary resources to understand how financial autonomy emerges. Thus the focus in the resource perspective developed here is on autonomy related to both monetary and non-monetary resources. However, the resource perspective does not illuminate how financial autonomy for an entity whose autonomy is in question is recognised or possibly restricted.

The entity perspective on financial autonomy was developed to enhance the understanding of how financial autonomy can be enhanced or restricted. Frazer (1997, 351) emphasises that one characteristic in the extent of autonomy is how the institution obtains its authority to operate. The other institution-related matter is whether the institution is recognised in law as a separate entity and whether it can enter into contracts without reference to a higher authority (Frazer 1997, 351; see also Cazenave 1992, 1368). The approach has to do with qualities and capacities that are needed to enable and recognise an entity's financial autonomy. Clear definition of capacities allows the identification of what a particular organisation can do (Pace 1985, 36).

4.4. Conclusions

It was demonstrated in this chapter that the scope of the concept of financial autonomy may vary considerably. Accordingly, financial autonomy can be studied from narrow and broad perspectives. However, there is no single narrow or broad approach to financial autonomy. In this chapter two perspectives were developed to study financial autonomy in the AMK context, namely the resource perspective and the entity perspective. The term perspective is used here as a point of view, an outlook or approach. The narrow approach focuses either on the resource perspective or on the entity perspective. The broad approach takes into account both of these without imposing limitations on their contents.

When applying the two perspectives the consideration of financial autonomy can be confined in many ways. The viewpoint can be limited either on monetary resources or non-monetary resources within the resource perspective. Also, investigation regarding monetary resources may be confined, for example, by examining financial autonomy in relation to the state or in relation to specific private funding bodies. Correspondingly,
there are possibilities to limit which of several non-monetary resources are considered within financial autonomy. The entity perspective refers to the legal status and financial powers of a higher education institution as a separate entity in its own right. Within this perspective, there are also possibilities to limit the sphere of examination.

The two major perspectives developed on financial autonomy may appear limited as regards their content and applicability in the diversified context of AMKs. However, there are no theoretical or empirical answers valid for all higher education institutions, or all higher education systems, or all countries without being modified as to the elements that can or should be included as part of financial autonomy in all higher education institutions. The perspectives on financial autonomy serve here as analytical tools for examining and understanding the phenomenon of financial autonomy.

As pointed out in Chapter 3, autonomy manifests as legal autonomy, formal autonomy and actual autonomy and they are not always alike. This is also the case as regards the financial autonomy of higher education institutions (e.g. Ordonika 2003, Ziegele 1998). The legal autonomy of AMKs is defined in the legislation. AMKs’ legal and formal autonomy was reviewed from the system level viewpoint in Chapter 2. This study will shed light how the constitution of financial autonomy manifests from the perspective of individual AMKs in relation to their major funding bodies. Thus, there are connections to the emergence of formal and actual financial autonomy of AMKs. A theoretical framework to guide the study in this setting will be presented in the following Chapter 5.

5. Theoretical framework

This chapter begins with a review of alternative theoretical approaches to the study the financial autonomy of AMKs in relation to their major funding bodies. Attention will be paid to organisational theories focusing on inter-organisational relations. This selection is based on the research problem set for the study specified as follows: How is the financial autonomy of individual AMK institutions with different legal forms of maintaining bodies constituted in relation to their major funding bodies?

The theory selected should be applicable to study the financial autonomy of an AMK in relation both to the state and to its maintaining body and from an institutional level perspective of an AMK. Moreover, the theory selected should fit with the entity and resource perspectives on financial autonomy. The state and maintaining bodies are critical in terms of the continuity of resources for the AMK. The financial linkages of AMKs to these bodies, various legal forms of maintaining bodies and various regulative environments, among others, may reflect how the constitution of financial autonomy of an AMK emerges. However, there are no theories to account for all the
various organisational or financial linkages or features of different forms of maintaining bodies under private law or public law.

The main ideas of system theory, contingency theory, principal-agent theory, stakeholder theory / stakeholder theories, resource dependency theory and new / neo institutional theory will be reviewed. All theoretical approaches are here referred to as theories. The chapter ends by presenting arguments in support of selecting the resource dependence theory.

5.1 Alternative theoretical approaches

There is no single theoretical approach to inter-organisational relations. Relationships between an organisation and its environment, like inter-organisational or inter-firm relations, have been studied in the fields of economics, the sociology of organisations and in other organisational theories (e.g Aiken & Hage 1968, Benson 1975, Donaldson & Preston 1995, Galaskiewicz 1985, Granovetter & Swedberg 2001, Haunchild 1994, Levine & White 1961, Lawrence & Lorsch 1967, Meyer & Scott 1992, Molm 1991, Oliver 1991 and 1997, Pfeffer & Salancik 1978 and 2003, Schmidt & Kochan 1977, Williamson 1981 and 1985). Inter-organisational relations are also an extensive area of interest in the field of administrative science (Harmon & Mayer 1986, 28). All the theoretical approaches presented below have been applied in higher education research, although they may have originated in other disciplines and research fields.

System theory serves to describe and analyse an organisation and the interdependence between organisations. An organisation is seen as having properties of system parts and the system changes according to feedback coming from the environment and changing the whole system. The key concepts are inputs, outputs and feedback. Systems require inputs from the environment and produce outputs to the environment and fulfil purposes related to the purposes of the system as a whole. The discernible changes that systems produce can be regarded as the purpose of the system. (E.g. Von Bertalanffy 2001, Birnbaum 1988, Hölttä 1995.) In this framework, autonomy is a result of the involvement of outsiders when the outsiders in the environment consider it appropriate. System theory considers interdependence between organisations as a system. Because the system reacts only when something is not in good condition, it does not seem to be the most relevant theory to analyse the complex, dynamic and multidimensional phenomenon of financial autonomy of higher education institutions.

The ideas of system theory are further developed in contingency theory. The focus of contingency theory is on the structure and/or changes of the structure of an organisation between relationships of the organisation and its environment. Following contingency theory, organisations aim to respond to their environmental instabilities by adapting their internal structures to conditions in the environment. If environments
change, the structure of organisations aims to change as well. This has led to organisations being thought of in terms of the concept of the open system. A contingency model assumes that there is no single best organisational form, but rather that there are several. (Lawrence & Lorsch 1967.) The contingency theory would provide a guide for examining how an AMK is influenced by various aspects of the environment and how an AMK adapts to changes in its environment. The contingency theory does not recognise the significance of autonomy for an organisation.

Principal-agent theory provides a different perspective on relations between an organisation and its environment compared to the two theories above. Principal-agent theory deals with the relationship between two parties in which one party acts on behalf of the other. The principal-agent relationship is a kind of contract between the parties. It assumes a conflict between the interests of these parties. The challenge for the principal lies in motivating and providing incentives for the agent to perform the tasks required by the principal. There may be information asymmetry, namely the principal's lack of information as to whether the agent has fulfilled the tasks as contracted. Moral hazard implies that the agent does not work in a way that satisfies the principal. Principal-agent theory is useful as a guide to how a contractual relationship works between the two parties. (Eisenhardt 1989, Fama 1980, Freeman 1999, Sappington 1991.) In the principal-agent theory framework, financial autonomy can serve as an incentive for the agent to perform its duties well. The focus would be, for example, on how autonomy is utilised by an AMK.

An organisation’s contract type relations with its environment can also be considered by focusing on actors in the environment. Stakeholder theory/theories claim that a firm can only exist through the interaction, transactions and exchanges carried on with its stakeholders (e.g. Donaldson & Preston 1995, Freeman 1984, Jones 1995). Satisfying stakeholders make a company’s activities successful. There are several schools of thought in stakeholder theory. Donaldson & Preston (1995, 68) have presented three formulations of the theory. According to these authors, the theory is used as a descriptive, an instrumental and a normative mean. A descriptive model is used to describe specific corporate characteristics and behaviours – what an organisation does with its stakeholders. The instrumental use of the theory is concerned with establishing a framework for examining the connections between the practice of stakeholder management and the achievement of various corporate performances. Normative theory deals with the reasons why the interests of all stakeholders are of intrinsic value and not merely because of its ability to further the interests of some other group.

All three stakeholder theories present the firm and its relationship to its environment. Jones (1995) integrated the stakeholder concept and economic concepts and suggests that the relationships between corporate stakeholders and the firm can be described by using the contract as a metaphor. Stakeholder theories concern connections between an organisation and its stakeholders from the point of view of stakeholders.
this study, the focus is on the AMK institution, whose financial autonomy is analysed, and not on its stakeholders.

Considerations linked to resources, autonomy and organisation’s management are at the heart of resource dependence theory. Autonomy is considered through dependence from other organisations. Resources and dependence are the core elements related to inter-organisational interaction in this theory as its title suggests. It provides guidance for exploring what is taking place and why there is interaction between an organisation and its environment (Pfeffer & Salancik 2003, Parsons 2001). An organisation needs resources from its external environment in order to keep its activities operational and to survive. Organisations become dependent on other organisations that have control of resources and exercise external control towards the organisation which receives resources from such external organisations. However, the management in the organisation representing the resource recipient is not passive. It seeks strategies to buffer its autonomy and reduce its dependence. (Pfeffer & Salancik 2003.)

New / neo institutional theory shifts the focus from the autonomy and financial environment of an organisation to its social environment. According to new institutional theory, organisations participate in complex, relational networks. The focus is on the effects of the social environment on an organisation. Formal structures of organisations are explained as a reflection of the myths of their institutional environments instead of the demands of their work activities. Thus, their formal structures are outcomes of their relational networks and understandings of social reality. Relational networks tend to increase the number of rationalised myths. Powerful organisations force their immediate relational networks to adapt to their structures and relations, and attempt to build their goals and procedure directly into society as institutional rules. (Meyer & Scott 1992.)

Compared with some other possible theoretical approaches, resource dependence theory is concerned with an organisation’s relations to its funding organisations; it recognises the resources crucial for an organisation and the importance of autonomy for an organisation. Moreover, its focus is an organisation receiving resources rather than an organisation providing resources. Therefore, the next section focuses on assessing resource dependence theory from the viewpoint of the research phenomenon of financial autonomy and research problem of the study.

5.2 Resource dependence theory

Resource dependence theory concentrates on inter-organisational relations involving a pair of organisations and the dependence that arises between them. It has been developed by several authors and has several labels. Under the label of resource dependence, the
approach was developed by Pfeffer and Salancik (1978 and 2003)\(^6\), but the same ideas can be found in Zald’s (1970) and Wamsley and Zald’s (1973) political economy model and Thompson’s (1967) power-dependence model. The most comprehensive development of the resource dependence approach has been contributed by Pfeffer and Salancik (Scott 2003, 118). Resource dependence theory is also referred to as the resource dependence perspective (Pfeffer & Salancik 2003, xiii).

5.2.1 Applicability of resource dependence theory

A selected theoretical framework should provide a perspective for studying financial autonomy at the organisational level. The viewpoint of the study relates to the financial autonomy of AMKs and the study will be undertaken from the institutional level perspective. The legislation (Polytechnics Act 351/2003) guarantees autonomy for AMK institutions. Accordingly, it is appropriate to focus on AMK institutions. In terms of resources, the institutional level is important because normally institutions receive and re-allocate resources further. Operationally, the institution collects the parts of the higher education organisation together and most of the functions of higher education are performed through it (Becher & Kogan 1992, 67).

An important element of the theoretical framework applied is that it can present tools to distinguish between an AMK and its funding bodies in all types of cases. Resource dependence theory makes a clear distinction between an organisation and its external environment. This makes it possible to connect the entity perspective with resource dependence theory. The boundaries between organisations determine and constitute an entity from which viewpoint the assumptions of the theory are set. Pfeffer and Salancik (2003, 32) emphasise boundaries between organisations on the basis of control activities:

“The organization is the total set of inter-structural activities in which it is engaged at any one time and over which it has discretion to initiate, maintain, or end behaviours… The organisation ends where its discretion ends and another’s begins.”

The authors’ definition is applicable from the point of view of financial autonomy: an organisation has activities over which it has discretion. The Polytechnics Act (351/2003) divides responsibilities and decision-making authority between the maintaining body and the institution. Thus, there are governmental regulations on the autonomy of AMKs in relation to their maintaining bodies. The AMKs have their own internal

\(^6\) The book External Control of Organizations: A Resource Dependence Perspective was originally published in 1978 (Pfeffer & Salancik) and nearly three decades later the authors’ original book was republished (Pfeffer & Salancik 2003) with a new introduction written by Pfeffer. Pfeffer (2003, xi-xxviii) discusses the impact of the book (1978), the evolution of its ideas over time and explores the book’s position today.
regulations, their own organisation and members, their own organs of administration, own mission and profiles, and names for the institutions. These qualities ensure that an institution can be organisationally understood as a distinct entity.

Financial autonomy will be studied in relation to two major funding bodies of AMKs. The funding bodies of higher education institutions are one of the most important elements in their external environment (Becher & Kogan 1992, 82; Slaughter & Leslie 1997, 69; Williams 1984, 84). AMKs receive the majority of their operating funds through the Ministry of Education. These are also steering bodies for AMKs and central bodies to whom AMKs are required to report on their performance. Funding bodies and the tools they apply in controlling and influencing higher education institutions are important regarding financial autonomy (Herbst 2007, 82-83; Slaughter & Leslie 1997, 101 and 111; Volkwein 1986, 525).

The financial autonomy of AMKs can be studied in relation to one single public or one single private funding body or in relation to a number of public and private funding bodies. AMKs also have funding bodies other than the Ministry of Education and their maintaining bodies. However, the notion that a higher education institution can obtain more financial autonomy through diversifying its funding sources (eg. Andersson 1995, 18; Clark 1998, 6-7; Meek & Wood 1997, 267; Michael & Holdaway 2001, 722; Wasser 1995, 17) is not considered in this study. Diversification of the funding base implies among other things that the higher education institution participates in the market and this provides other external stakeholders with the opportunity to take part in the steering of higher education institutions (Gornitzka & Maassen 2000, 284; Johnstone, Arora & Experton 1998, 7-8). The AMKs’ operating income funding structures are not very diversified. Over 70 per cent of AMKs’ operating funding originates from the state budget.

The starting point is to study the financial autonomy of AMKs in relation to their major funding bodies. Therefore, the theoretical framework applied is expected to provide guidance on how to limit the study. The core operations of the AMKs will be interrupted if the Ministry of Education or their maintaining bodies withdraw their funding to the AMKs. This is referred to as criticality of resources in resource dependence theory and provides one possible way to limit the study to the two major funding bodies.

7. In the OECD’s (2002, 368) statistics the dependence of higher education institutions from government funding sources is measured by the proportion an institution receives of its unit price funding from governmental agencies. Less that 50 percent of the unit price funding implies independence from the government but this does not refer to how the government exercises other directions or regulations. Over 80 per cent of all AMKs’ operating funding structures were based on public funding in 2005.

8. Different resource categories do not indicate their meaning or importance. Not all types of resources are equally important. Importance may also vary over time. Resource dependence theory defines the importance as: “…the extent to which the organization requires it (resource) for continued operation and survival” (Pfeffer & Salancik 2003, 45).
In resource dependence theory, the most important environmental elements are those groups, coalitions and organisations that govern resources necessary to an organisation and that aim to influence an organisation and its resources (Pfeffer & Salancik 2003, 258-259). The environment is mainly viewed as a stock of resources from which an organisation has to acquire the resources it needs. This is related to the technical aspects of the environment of an organisation (Scott 2003, 211). Technical environment refers to sources of inputs, markets for outputs, competitors and regulators. However, technical environment does not exclude connections to institutional environments. Institutional environments refer to social, economic and political environments (Pfeffer & Salancik 2003, 190). According to Scott (2003) technical and institutional aspects are best viewed as the dimensions of environments, not as dichotomies.

Recognising the emergence of interests of funding bodies is also a way to assess the appropriateness of the theoretical framework applied. Resource providers in resource dependence theory are external groups and organisations that govern resources and offer them for the use of other organisation(s) (Pfeffer & Salancik 2003). A resource recipient is an organisation that receives resources from an external organisation (Pfeffer & Salancik 2003). Resource dependence theory assumes that resource providers may have varying interests; hence they aim to have control and influence in order to promote their own interests regarding the organisation of a resource recipient and its resources. Interests from the resource recipient’s point of view are obtaining resources, continuous maintenance of the resources to survive and having autonomy. The opportunity for a resource provider to control over and influence of the resource recipient are related to the organisation and its resources (Pfeffer & Salancik 2003, 27 and 258-259). Thus, the theory pays attention to resources and to an organisation as an entity that are crucial elements in the two perspectives developed to analyse financial autonomy.

As pointed out in Chapter 3, higher education institutions’ own actions towards their stakeholders have not been studied as much as have the actions of governmental authorities on higher education institutions. Higher education institutions seek to protect their primary resource sources (Mora & Vila 2003, 123) and value their autonomy very highly. According to resource dependence theory a resource recipient takes actions in order to enhance its autonomy and reduce dependence. Resource dependence theory sheds light on relations between organisations from a viewpoint that is connected both to dependence and autonomy. In earlier studies, autonomy has mostly been studied by considering restrictions on autonomy. By recognising restrictions on autonomy one can understand the concept of autonomy (cf. Simhony 1993, 31). Following Allison and Zelikow (1999, 152) the creation of areas of freedom and autonomy takes place by setting limits. Financial dependency is connected to the realisation of financial autonomy and how actual financial autonomy emerges.
5.2.2 Earlier applications

Resource dependence theory has been applied in particular in empirically oriented studies on higher education. Studies in which resource dependence theory or resource dependence are combined with some other theory are presented below. There are also presented applications of resource dependence theory in fields other than higher education.

Resource dependence theory has been applied to explain the emergence of new specialisations and new study programmes in Dutch universities and how it might be related to the emergence of new disciplines and academic fields (Huisman 1997). Resource dependence theory has also been used to explain how higher education organisations, their management and managers respond to changes in the external resource environment in the United Kingdom (Johnson 2002). This study aimed to explain the diversity of responses to the same policy design. Changes in the external environment were regarded as changes in public funding conditions and organisational changes as attempts to both secure public funding and also find other sources of funds. Resource dependence theory was also applied to explain academic and financial flexibility in eighty-six public research universities in the United States (Volkwein 1986).

Resource dependence theory was tested in a comparison of the changing behaviour of universities and professors when seeking alternative revenue to maintain institutional operations. New types of institutional market or market-like behaviours to secure external moneys was referred to as academic capitalism. The data was from higher education institutions in Australia, Canada, the United Kingdom and the United States. (Slaughter & Leslie 1997.) Another quantitative study tested the ability of resource dependence theory to explain mergers of higher education institutions in Australia and in the Netherlands (Goedegebuure & Meek 1994). The idea was to demonstrate if higher education institutions engage in mergers in reaction to changes in their environment that may threaten the supply of critical resources.

There are also higher education studies in which resource dependence theory has been combined with institutionalisation. In this combination, theories were applied to explain patterns of administrative offices and positions in public and private colleges and universities. Resource dependence was used to show that stable resource flows from external sources partially determine administrative differentiation. Institutionalisation, in turn, in this study implied common and shared social understandings and expectations of appropriate organisational form and behaviour. (Tolbert 1985.)

Neo-institutional and resource dependence perspectives were combined to formulate a conceptual framework to study how higher education institutions interpret and respond to pressures arising in the external environment (Goedegebuure et al. 2006). Gornitzka (1999) presented a conceptual framework – based on resource dependence theory and the neo-institutional perspective - to investigate how organisational change in higher education institutions is affected by governmental policies and programmes.
The neo-institutional perspective supported focus on the cognitive and normative elements in the environment that shape the organisational actions. De Wit and Verhoeven (2000) applied the theoretical framework proposed by Gornitzka (1999) in order to compare and describe the participation and position of external stakeholders in the case study universities and case study colleges.

In research fields other than higher education, resource dependence theory was tested to explain inter-industry merger patterns (Finkelstein 1997) and differences in management development among firms’ responses to social and political issues. In this study both institutional theory and resource dependence theory were used (Greening & Gray 1994). Resource dependence theory was used to test ways in which a firm can ensure a supply of critical resources in order to guarantee its survival (Sheppard 1995) and to understand and explain the impact of a consortium multi-hospital system affiliation on the strategic level decision-making autonomy of the hospitals involved. The main focus was on the extent to which the strategic level decisions of individual hospitals are influenced as a result of affiliation with the consortium (Provan 1984).

Institutional and resource dependence theories were applied to demonstrate how organisational behaviour might vary from passive conformity to active opposition in response to institutional pressures, depending on the nature and context of the pressures themselves. The study suggested five types of organisational response, namely acquiescence, compromise, avoidance, defiance and manipulation. Ten institutional factors were hypothesised to predict the occurrence of the alternative proposed strategies and the degree of organisational conformity or resistance to institutional pressures. According to the study, resource dependence theory provides an appropriate basis of comparison for revealing the institutional theory’s delimiting assumptions of an organisation’s passivity and strategic behaviour. The two theories together identify a range of strategies and tactical responses to the institutional environment and the factors that predict the occurrence of alternative strategies. (Oliver 1991, 173; see also Maassen 2002.)

Resource dependence theory is used

a) to test this theory
b) to explain the behaviour of focal organisations in terms of their dependencies, or
c) to describe patterns of dependency or exchange relations (see also Galaskiewicz 1985).

Johnson (2002) points out that the theory does not adequately explain the power relations in higher education institutions. Huisman (1997) found that a higher education institution's internal factors were important along with external factors, while Tolbert (1985) concluded in her study that, the institutionalisation perspective defines the conditions under which hypotheses generated by resource dependence will hold. The Volkwein (1985) study suggested support for resource dependence theory. Goedegebuure
and Meek (1994) found that the resource dependence perspective went a long way to explain and understand merger processes in higher education. Slaughter’s and Leslie’s (1997) research results on the changing internal operations of universities due to changes in revenue patterns supported the assumptions of resource dependence theory.

Volkwein’s study (1986) is related to the autonomy of higher education institutions and to higher education institution-environment relations. Financial or budgetary autonomy, personnel autonomy and academic autonomy were identified as three important areas of university autonomy and state authority. The author measured academic and financial flexibility and their relationship to measures of academic quality and the study compares flexibility scores between 49 states. The focus of autonomy in this study is on the freedom of higher education institution to undertake certain actions and autonomy is studied in relation to states. The author concentrated on regulation and control exercised by the states. He identifies as intervening variables organisational size (enrollment), the age of the institution, the constitutional versus statutory status of the university, the status of the flagship campus, the existence of medical / agricultural / engineering schools at the university, variations in state appropriations per student, the cost of living index and the level of employee unionisation. The overall research setting is quantitatively oriented and aims to reveal and compare the degree of autonomy and regulation of universities, and to explain contribution of flexibility to the success and quality of a university.

5.2.3 The new / neo-institutional perspective

Resource dependence theory in its later applications is often combined with new / neo-institutionalism (referred to hereafter as new institutional theory). Both acknowledge that organisations aim to respond to external pressures in order to maintain legitimacy and stability (Oliver 1991, Greening & Gray 1994). Both theories are based on the idea that organisations are loosely coupled systems. However, the concern of new institutional theory is more with individuals and their behaviour rather than with the organisation (Goldmann 2005, 42). When describing inter-organisational relations, the relevant entities are the organisations rather than individuals (Harmon & Mayer 1986, 27-28).

A core term of the new institutional theory is institution. Institutions can be, for example, rules, norms, symbols, beliefs, rituals, values, expectations, orders, structures or culture. Institutions are social frameworks originating from shared understandings and meanings and these frameworks affect and shape the behaviour of individuals. From this it follows how the sociological new institutionalism defines institutions (e.g. Hall & Taylor 1996, 15). New institutional theory is focused particularly on taken-for-granted norms and beliefs and how they affect the behaviour. Following DiMaggio and Powell (1991, 14-15) “taken-for-granted scripts, rules and classifications are the stuff
of which institutions are made”. No strict boundaries can be set regarding what can or cannot be regarded as an institution. All organisations have institutional environments but these are not similar (Scott 2003, 138).

New institutional theory is not based on a single body of thoughts. It can be divided into three approaches: historical, rational choice and sociological. Each of these has different views of what are conceived of as institutions and each has different explanations for how an individual behaves and why (see e.g. Hall & Taylor 1996, Powell & DiMaggio 1991).

Adaptive responses by an organisation to changes in its institutional environment describe the behaviour on which new institutional theory focuses. However, it does not explain “why some organisations adopt radical change whereas others do not, despite experiencing the same institutional pressures” (Greenwood & Hinings 1996, 1023). The autonomy of an actor is not a significant element in this theory. Compliance without the organisation's own consideration means limited autonomy for an organisation. Moreover, in relation to an organisation's institutional environment “organizations tend to disappear as distinct and bounded units” (Meyer & Rowan 1991, 47). Retaining the status quo characterises new institutional theory. Oliver (1997, 699) emphasises the importance of social context and following her study economic choices are constrained by the technological, informational, and financial limits and by socially constructed limits that are distinctly human in origin, such as norms, habits, and customs.

Mostly the institutional organisation theory literature is concerned with differences or similarities in comparative settings (Donaldson 1995, 81). Following DiMaggio and Powell (1991, 11-15) new institutionalism is primarily related to organisations-in-sectors, whereas the old institutionalism focuses on the individual organisation. In the new institutionalism organisations exist in similar fields with other organisations and these organisations are homogeneous because they face and conform to the same institutional pressures. The focus of the theory is not on local environments; rather environments penetrate the organisation, creating lenses through which actors view their actions and thoughts (DiMaggio & Powell 1991, 13).

According to Pfeffer (2003, xv), the difference between institutional theory and resource dependence theory is that institutional theory emphasises social rules, expectations, norms and values as the source of pressures on organisations to conform, and resource dependence theory emphasises patterns of transactions and exchanges. This implies that new institutional theory emphasises that organisations commonly give in to external pressures (Donaldson 1995), while resource dependence theorists assume that organisations actively manage and control external demands (Pfeffer & Salancik 2003). New institutional theory is concerned with the effects of the institutional environments on an organisation.

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9. The central elements in resource dependence theory are “interorganizational exchanges and transactions”. Pfeffer and Salancik (1978, 2003) refer to March and Simon’s (1958) terminology and described organisations as settings with varying interests and preferences which engage in exchanges.
Following Selznik (1996, 275-276) there are both logical and methodological failings in the way the new institutionalism draws distinctions from earlier organisational theories. In addition, ‘institutions’ as suggested by the ‘new’ institutionalism, have existed earlier and have been the interests of ‘old’ institutional theorists (Selznik 1996, 276). According to Kraatz and Zajac (1996) there are few studies focusing on possible limits of new institutionalism. These authors studied organisational changes and applied the new institutional theory to their longitudinal statistical data. They tested several propositions of the theory using data from liberal arts colleges in the United States. The research results did not support new institutional predictions. The organisational changes observed could not be explained as resulting from processes of institutional isomorphism; global and local technical environmental conditions predicted the major changes the colleges made, the colleges became less rather than more homogenous over time; they did not mimic their most prestigious counterparts and the illegitimate changes had no negative performance consequences for enrollment and survival. (Kraatz & Zajac 1996.)

5.2.4 Criticism of resource dependence theory

Resource dependence theory has been criticised for being quite mechanical. Its stress lies on the political analysis of organisations and the interactions between organisations, but with little attention paid to the internal aspects of organisation and no reference to pre-existing theories of organisation structure (Donaldson (1995, 161). Following Donaldson (1995, 132-136), resource dependence theory concentrates on the strategic aspects of upper-level management bypassing middle-level and operational management. Furthermore, the theory places less emphasis on the fact that organisations are also real systems of work and production and that those organisations are economic entities. Donaldson (1995, 142) points out that another organisation (a resource supplier) may also become dependent on the focal organisation. Inter-organisational co-ordination devices may produce the same effects, and Donaldson (1995, 147) asks whether they are mutually exclusive. Finally, Donaldson (1995, 148) points out that the logic of the theory is contradictory since the theory claims that the focal organisation must surrender its autonomy to gain some control over its activities and at the same time the focal organisation must strive for its autonomy.

Resource-dependence theory treats an organisation as a monolithic entity. Organisations might respond individually to environmental demands and expectations. There are also intra-organisational factors, such as institutional values, identities and traditions; and internal processes could help to understand why and how higher education institutions change and why policies fail or succeed, but these are not considered. In addition, there are some fundamental characteristics of the structure and distribution of authority in higher education organisation compared with other organisations (Gor-
Denzin (1999). According to Johnson (2002), resource dependency theory is insufficient to explain power relations in organisations.

Determinism (see the Stanford Encyclopedia of Philosophy 2007) is strongly present in resource dependence theory. This is to say that actions and the will of an organisation are causally determined by the prior actions of other organisations. According to the assumptions of resource dependence theory, influence and control by an external organisation follow after resources have been granted to an organisation. Therefore, a resource recipient organisation becomes dependent and begins to avoid the control and influence exercised by the external organisation.

The assumptions of resource dependence theory are based on assumptions of the behaviour of rational actors. Rationality pervades virtually all organisation theory (Harmon & Mayer 1986, 16). The behaviour of rational actors is characterised by full information and seeking utility-maximising behaviour. However, information cannot be spread uniformly among actors and information is usually controlled within an organisation. Thus, utility-maximising behaviour requires, among other things, a priori knowledge of what information each actor needs (Freeman 1999, 165 and 166-167, see also Galaskiewicz 1985, 291).

5.2.5 Application of the main assumptions of resource dependence theory in this study

Some alternative theoretical approaches to the study of the relations of a higher education institution to its environment have been reviewed. Compared with the theoretical inter-organisational approaches reviewed, resource dependence theory focuses on an organisation's relations to other organisations providing resources, it recognises the importance of funds and other types of resources, it guides the defining of the boundaries of an entity whose autonomy is studied, and it recognises the importance of autonomy for an organisation. This theory fits with two perspectives on financial autonomy. According to Rhoades (1992, 1989, see also Volkwein 1986, 512), resource dependency theory is the appropriate organisational theory when the analytical focus is on organisational revenues and on the influence and constraints of the resource providers.

AMKs’ relations with the Ministry of Education and maintaining bodies: AMKs are seen as resource recipients and the Ministry of Education and their maintaining bodies are seen as resource providers. Resource dependence theory considers interaction between a resource recipient and a resource provider from the resourced organisation's point of view. It focuses more on inter-organisational activities than the actors themselves (Pfeffer & Salancik 2003, 258-259; see also Oliver 1991, 148; Scott 2003, 203-213).
“To acquire resources, organizations must inevitably interact with their social environments.” (Pfeffer & Salancik 2003, 19)

Higher education institutions have a mission to pursue and they need resources to do so (Herbst 2007, 53). As Pfeffer and Salancik state (2003, 145 and 261), the continuous flow of resources and stability of resources are needed in order to survive and keep the organisation functioning (see also Sheppard 1995, 33, Slaughter & Leslie 1997, 70-71; Mora & Vila 2003, 123).

The focus is often on funds when financial autonomy is discussed. Block grant funding systems – where the power to allocate funds is given to the funded institutions – are typical ways of giving more financial autonomy to higher education institutions (Herbst 2007, 68). However, freedom related to monetary resources and non-monetary resources is important in the analysis of the appearance of actual financial autonomy of AMKs. Resource dependence theory views resources as what an organisation needs to survive10. The exchanges and transactions with the environment may involve monetary resources, physical resources, information and social legitimacy (Pfeffer & Salancik 2003, 43). Legitimacy can be understood as a relationship to enhance an organisation’s reputation and presence (Möller & Wilson 1995, 39).

“…control over resources provides other power over the organisation” (Pfeffer & Salancik (2003, 258)

Control and influence exerted by the Ministry of Education and maintaining bodies: Resource providers aim to achieve influence and control in order to further their own interests and to initiate actions for their own interests within an organisation (Pfeffer & Salancik 2003, 259-261). In accordance with its title, resource dependence theory treats dependence as a main issue between a resource provider and a resource recipient. Dependence is defined as the product of the importance of a given input or output to the organisation and the extent to which it is controlled by external actors. Dependence in resource dependence does not arise only as regards monetary resources. There are many other types of resources and, according to Pfeffer (1992, 87), one can regard all valuable things as resources for an organisation’s operations. The financial autonomy of an AMK can likewise be affected through all valuable resources. However, monetary mechanisms and economic tools are prominent in controlling and influencing the behaviour of higher education institutions (Herbst 2007, 82-83; Slaughter & Leslie 1997, 101 and 111; Volkwein 1986, 525; Williams 1984, 84).

10. Resource dependence theory defines the importance of resources on the basis of how important the resource in question is for the continuing of operations of an organisation (Pfeffer & Salancik 2003, 45). Important organisations are those that provide crucial resources because those groups or organisations that provide the most needed resources and capabilities have more control and influence over the organisation and its resources (Pfeffer & Salancik 2003, 27 and 258-259).
By control, one is able to initiate or terminate actions at one's discretion. Control can be exercised or is possible when an external actor

a) possesses a resource
b) has access to a resource
c) has the ability to actually use and the ability to control the use of the resource and
d) has the ability to make rules or otherwise regulate the possession, allocation and use of resources and to enforce the regulations (Pfeffer & Salancik 2003, 47-49).

Influence in inter-organisational relations is tied to the ability to control the other's resources (Pfeffer & Salancik 2003, 26-27, 44, 71, 259). Influence may be present without the specified use of tools. Regulation is a typical example of mechanisms to exercise control over higher education institutions (Gornitzka & Maassen 2000, 268). Resource dependence theory does not specify in detail the possible tools or mechanisms that resource providers use to control and influence resourced organisations. The theory focuses more on the preconditions for the ability to exercise control and influence.

There are a number of classifications in the research literature of the state's steering tools (Bleiklie 2000, 55-62; Becher & Kogan 1992, 81-86; Goedegebuure et al. 1993, 334-338; Kogan 1998, 123; van Vught 1997b, 128-132; Vedung 1998, 21-58). However, in general the tools vary in terms of the level of restraint and how they are applied (van Vught 1997b, 126-127). Kogan (1998, 123) for example, identifies five types of mechanisms through which the relationship and interaction between the government and higher education institutions function. The mechanisms are legal controls, bureaucratic rules or guidelines, financial controls, normative or evaluative influence, competition and contracts.

“Organizations seek to avoid dependencies and external control and, at the same time, to shape their own contexts and retain their autonomy for independent action.” (Pfeffer & Salancik 2003, 261)

Actions taken by AMKs: In the organisation literature, it was pointed out decades ago that organisations like to attain autonomy (e.g. Mindlin & Aldrich 1975, Volkwein 1986). This is also the case in resource dependence theory and what the theory assumes concerning a resourced organisation. A resource recipient is not seen as a passive actor with respect to external control and influence. Instead, the resource recipient aims to influence other organisations. This is to say that an organisation takes actions to reduce dependence. In this way, the deterministic approach of resource dependence theory has a mitigating effect. Actions of the resource recipient are not manifest in the form of an instrument in the theory. Rather the theory categorises actions into adaptation or avoidance, changing patterns of dependence (buffering according to Scott 2003) and formation inter-organisational structures or associations (bridging according to Scott 2003).
In principle, the theory recognises two main options for a resourced organisation: it may either comply or avoid external influence. Compliance means fulfilling the demands of resource providers. Total compliance is problematic, because all organisations including higher education institutions also face conflicting demands and they have to manage with conflicting demands somehow instead of satisfying all. Compliance without an organisation’s own considerations and without balancing demands from various interest groups means limited autonomy for an organisation. It is clear that no organisation can fulfil all the demands. However, demands typically change. Thus, it is a question of an organisation’s ability to react to changes occurring around it in order to obtain the resources needed to stay operational (Chevaillier 2002, 87). The theory suggests a range of actions to avoid control and influence. Many alternative actions are concerned with inter-firm activities and linkages in the private sector. An organisation may encourage or discourage the articulation of demands. It may define the level of satisfaction of its interest groups and it may take part in the formation of demands.

Relating to resources, three basic actions for attempting to restructure dependence can be recognised:

1) extending an organisation’s own control
2) changing one’s own situation of interdependence
3) decreasing reliance on single critical exchanges (Pfeffer & Salancik 2003, 113).

To the above list can be added from Emerson (1962, see Goedegebuure & Meek 1994, 135) reducing the importance of the resource, searching for alternative sources for the resource, increasing the importance of own resources and creating dependence on the resources of a resource recipient.

Organisational actions towards others are determined by the way the organisation perceives its environment, and by the things it believes to be true about the environment (Pfeffer & Salancik 2003, 89). Pfeffer and Salancik (2003; see also Scott 2003, 119) extensively analysed organisational actions to avoid dependency and buffer autonomy in four different chapters. They pointed out that there are actions of adaptation or avoidance of external demands, changing patterns of interdependence, establishment of collective structures and controlling interdependence.

On the whole, the approach of resource dependence theory to an organisation’s autonomy is based on actions by other external organisations (resource providers) and on the actions of the organisation (a resource recipient) that is buffering its autonomy. Both the resource perspective and the entity perspective developed on the financial autonomy of AMK institutions can be combined with the above main assumptions of resource dependence theory.
5.3 Conclusions

AMKs operate in different contexts and they are subject to various and competing claims from their maintaining organisations (e.g. OECD 2003, 178). According to Daily, Dalton & Rajagopalan (2003, 153) there is no single theoretical perspective that could capture the complexity of the differing interests of ownership types. This chapter reviewed some major organisational theoretical approaches in which the emphasis was on inter-organisational relationships. There are differences between the theoretical approaches reviewed.

One flaw in the theoretical approaches reviewed is that each theory can shed light on the study from a limited perspective. A selected theory should be applicable to study the financial autonomy of an AMK in relation both to the state and to its maintaining body. One autonomy related issue at the local level is how an AMK is viewed as its own entity and how to define its boundaries. How this manifests at individual AMK institutions needs empirical examination. Resource dependence theory recognises an organisation as an entity and the importance of autonomy for this entity, but, for example, entity based thinking is less applicable and autonomy is not important in new institutional theory. According to Meyer & Rowan (1991, 47) organisations are part of their general institutional environment and tend to disappear as distinct units. Moreover, new institutional theory is a “fairly complex body of theoretical writings which encompasses several mechanisms, through taken-for-granteds to norms to state coercion” and access to true “taken-for-granteds” may be unsustainable (see Donaldson 1995, 128).

Resource dependence theory and its basic assumptions are focused on the technical environment of an organisation but it also recognises institutional environments. Thompson’s (1967) task environment is close to technical environment, and following Thompson, task environments include customers, suppliers, competitors and regulatory groups. Maintaining bodies and the Ministry of Education are resource providers, and also the regulatory bodies of AMKs. Institutional environments are much broader than technical environments.

The basic assumptions in resource dependence theory seem to focus on the technical environment of an organisation. There are links through technical environments to institutional environments (Pfeffer & Salancik 2003, 147-152; 259; Oliver 1991, 148). According to Scott (2003, 214), “whereas organizations exchange elements with their technical environments, they are constituted by elements drawn from their institutional environments”. Resource dependence theory recognises that not all organisations are alike, instead they have varying social contexts and they face varying interests (Pfeffer & Salancik 2003, 45). The following citation reveals links to the wider environment of an organisation: “...not only that organizations are constrained by the economic, social, political, and legal environments but that in fact, law, social norms, values, and political outcomes reflect, in part, actions taken by organizations in their interests of...”
survival, growth, and enhancement” (Pfeffer & Salancik 2003, 190). Thus, this study recognises that through receiving resources AMKs are also influenced explicitly or implicitly by different types of environmental elements.

Given that AMKs’ ownership structures, their steering structures and funding systems are diverse and even fragmented, and that there will be together six case study institutions (Chapter 7) the study applies the principle of simplicity with regard to its theoretical approach. Hence, to tackle the research theme from the approach selected rather than hoping to discover an ideal solution, the theoretical approach should be as simple as possible. This principal of simplicity is a philosophical principle known as Occam’s Razor. Thus, the main idea of ontological parsimony is applied. (Standford Encyclopedia of Philosophy 2008a.) Resource dependence theory is applicable to the approach selected for this study; to study the financial autonomy of individual AMKs from perspectives of institutional management in relation to their major funding bodies. Moreover, it fits with the entity and resource perspectives on financial autonomy applied. However, resource dependence theory is not an all-inclusive theoretical framework to account for financial autonomy.
6. Research questions and research methodology

The first section of this chapter presents the research questions for this study. The other sections of the chapter deal with the research methodology and research design applied. The major function of the chapter is to serve as a guide to carry out the study such a way as to achieve its declared purposes.

6.1. Research questions

On the basis of the research problem and the theoretical framework the following research questions are set:

1. How is financial autonomy in AMK institutions controlled and influenced by the Ministry of Education and maintaining bodies?

2. How do individual AMK institutions act in order to enhance their financial autonomy?

3. How can AMKs be perceived as entities with regard to their financial autonomy?

The first research question is based on the assertion that external resource providers can use their power over the organisation they fund and its resources. In this way the resource providers can affect the autonomy of an organisation. This question aims to shed light on the actions of the Ministry of Education and maintaining bodies and that are directed towards AMKs to affect their financial autonomy.
The second research question deals with the measures AMKs use to enhance their financial autonomy. The theoretical framework offered guidance to study financial autonomy from this perspective. Earlier research reviewed also demonstrated that there are few studies concerning what higher education institutions do in order enhance their autonomy.

Answering the third research question entails studying how AMKs are perceived as entities. This question explores how AMKs without legal capacity are seen as entities in varying contexts vis à vis the legal maintaining body.

6.2 Theoretical assumptions

The theoretical assumptions and connections between the ontological, epistemological and methodological levels of the research are discussed in this section. The ontological level is concerned with the conception of the nature of the reality (e.g. Patton 2002, 134) of financial autonomy, and how financial autonomy and the constitution of financial autonomy are observed and understood as research subjects.

One fundamental ontological choice is the approach to the concept of financial autonomy. There are three basic options for a researcher to provide a conceptual basis for understanding financial autonomy

1) to define the concept by oneself for the purpose of this study
2) to adopt the definition found in the theory or in earlier research or
3) to accept the definitions based on the perceptions and constructions of research informants. The same options are available when approaching the constitution of financial autonomy itself.

The material elements or labels of financial autonomy can be outlined according to earlier analyses. Following correspondence theory (Stanford Encyclopedia of Philosophy 2008b), it may be possible to observe and identify the empirical counterparts of each material element of financial autonomy. In such an approach, there is an assumption of an objective nature of reality. The objective nature of reality means that the phenomenon is studied as something apart from the researcher (Varto 1992, 12).

Financial autonomy does not occur in a vacuum. It emerges in relation to other actors. This implies that the empirical contents of financial autonomy vary over time, as the relations of higher education institutions to their environments change and diversify. Thus, it is never possible to achieve a comprehensive and all inclusive, detailed and exact analysis of what is contained in the material contents of the financial autonomy of higher education institutions in different contexts. This is to say that reality cannot be captured comprehensively. From this emerges the question what is the starting point of the study: is the reality itself the starting point or the theoretical idea of it? If
Financial autonomy as a phenomenon is subject to a huge number of perceptions. Different actors perceive different things and make different interpretations of what they perceive (Hirsijärvi 1983, 6). Individuals have their own interpretations of and interests in financial autonomy. Following resource dependence theory, the focus of the study is at the institutional level and on the viewpoint of the institutional senior management. This choice is based on the theoretical framework applied, and the topic and nature of this study. According to resource dependence theory a resource provider exerts control and influences a resource recipient. Furthermore, the responses of the resource recipient to the control and influence are the focus of this theory. These are studied from the organisational level perspective according to major assumptions of the theoretical framework applied. In addition, this study deals with a topic of which particularly experienced based knowledge can be optimally studied from AMKs’ own perspective. Because of its explorative nature the study requires a clear focusing. The same financial autonomy may appear in different ways even when considered from the same viewpoint or context. Actors’ backgrounds, positions and interests vary; they attach different interpretations and meanings to financial autonomy, and they may weight matters differently. Accordingly, inter-organisational relationships may involve interactions between the positions of each actor.

There are dimensions of legal, formal and actual autonomy, they may appear differently and are not necessarily similar to each other. In this study, financial autonomy will be empirically approached as described by AMK actors. The aim is to portray reality in light of the viewpoints and experiences of research informants. However, the analytical frameworks, the resource perspective and the entity perspective on financial autonomy have been developed and applied. They were developed as frameworks to analyse the perceptions of the AMK actors and the documentary data. The result of approaching financial autonomy in this way is an interaction between the perceptions of the informants and the researcher and the analytical tools developed for the analysis of financial autonomy.

Financial autonomy is understood in this study as a phenomenon that is realised in relation to other actors. Resource dependence as a theoretical framework is based on interaction that takes place in inter-organisational relationships. Accordingly, the constitution of financial autonomy is analysed in relationships from the point of view of AMKs, at a certain time and in certain contexts.

To study the financial autonomy of AMKs in relation to their maintaining bodies, and in relation to the Ministry of Education, is limited in its approach. These funders are crucial for AMKs. If they were to withdraw their funding, AMKs would not be able to fulfil their major functions. The relationships of AMKs to other possible funding bodies such as the Finnish Funding Agency for Technology and Innovation (Tekes), or the European Union (EU), or the regional councils have not been included in the
study. Thus, it is possible here to approach financial autonomy only from a certain selected and limited perspective rather than to encompass the phenomenon holistically or comprehensively.

The epistemological level of the study deals with the relationship between researcher and research subject, and how we know what we know (e.g. Patton 2002, 134). In this respect, the question in the constitution of financial autonomy is related to perceiving and understanding the viewpoints of AMK actors and what they describe of their actions and actions taken by the resource providers. Understanding financial autonomy is related to interpretation as analysed in hermeneutics (e.g. Patton 2002, 497). Interpretative understanding is always a result of processes of interpretation. Thus, the formation of knowledge (how we know) is tied here to an interpretation process and the formation of meanings regarding the research subject (Eskola & Suoranta 1996, 50). However, there is no pure or single interpretation of financial autonomy as such; rather there is a mix of research informants’ interpretations and my own interpretations of the informants’ interpretations.

The following section describes how information about the financial autonomy of individual AMK institutions was obtained in practice.

6.3 Multiple case study design

The nature of the financial autonomy of higher education institutions is complex, dynamic and multi-dimensional. Internal views of AMKs are relevant in order to enhance the understanding of the essential research phenomenon of financial autonomy in these institutions. This section considers a case study approach as a way to accomplish this study. Studies with “how” or “why” questions are the most appropriate for case studies. Typically, they are studies focusing on a contemporary phenomenon in its real-life contexts. As with other research strategies in the social sciences, case studies can be used for exploratory, descriptive or explanatory purposes. (Yin 2003, 1-3 and 22.) This study is primarily exploratory.

According to Stake (2000, 43), the strength of the case study methodology is learning of the particularity about and from the case. For Yin (2003) case study is a research strategy:

“As a research strategy, the case study is used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena” (Yin 2003, 1).

“In brief, the case study method allows investigators to retain the holistic and meaningful characteristics of real-life events – such as individual life cycles, organizational and
managerial processes, neighborhood change, international relations, and the maturation of industries” (Yin 2003, 2).

Through the case study, one is able to collect concrete, practical and context-dependent knowledge (Flyvbjerg 2006, 5; see also Hartley 1994, 208-212). This type of empirical material is needed to analyse financial autonomy at AMKs having different legal forms of maintaining bodies. The case study method makes it possible to retain the holistic and meaningful features of real-life events (Yin 2003, 1-3; see also Patton 2002, 447). However, the holistic viewpoint is that of the AMK’s management, not that of its operating units or viewpoints of other actors involved in inter-organisational consideration.

Naturally, there are other methods for conducting this research: for example, a survey or a content analysis of the document data (see Yin 2003, 5). However, a case study is useful when the organisational environmental context is important and when the intention is to shed light on a research subject under scrutiny (Hartley 1994, 212-213). Survey or solely document data analysis would not have been reasonable choices as methods for achieving the purpose of this study. The research questions and the philosophical assumptions of the study are crucial to the choice of relevant research method.

A case study may address a single case or multiple cases (Yin 2003, 14; see also e.g. Berry 2002, Hammersley & Gomm 2000, Merriam 1998). The financial autonomy of individual AMKs whose maintaining bodies have been established on different legal bases cannot be studied through a single case. Exploring the research problem set, and because earlier studies and reports show that the various ownership categories of AMKs are important elements in terms of an institution’s financial autonomy, a multiple case study is a logical choice.

According to Yin (2003) multiple case study design provides research evidence that is often convincing and makes the study more robust. The multiple case study enables replication. This implies that the findings predict similar findings or contrasting findings but for predictable reasons (Yin 2003, 46-47). In general, multiple cases are used in order to increase the credibility of the findings (Miles & Huberman 1994, 29).

6.2.1 Selection of case study institutions

There are 29 AMKs in Finland (Table 7, Appendix 1), any of which could have been selected for the study. Every case should serve a specific purpose within the research (Yin 2003, 46). The cases present opportunities to study the phenomenon (Stake 2003, 136) of financial autonomy. The selection of case study institutions should serve the purpose of the study and provide responses to the research problem set and to the research questions.
TABLE 7. AMK institutions, numbers of students, and locations of institutions by form of ownership in 2004 (AMKOTA 2005)

<table>
<thead>
<tr>
<th>Legal form of maintaining body</th>
<th>Local authority</th>
<th>Joint local authority</th>
<th>Limited company</th>
<th>Foundation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of AMKs (in 2004)</td>
<td>7</td>
<td>11</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Range of number of students</td>
<td>1895-9482</td>
<td>1746-7443</td>
<td>1403-7629</td>
<td>1985-5206</td>
</tr>
<tr>
<td>Median of student numbers</td>
<td>5217</td>
<td>4526</td>
<td>3631</td>
<td>3872</td>
</tr>
</tbody>
</table>

Regions of Finland¹ (location of main campus and central administration of an AMK)

<table>
<thead>
<tr>
<th>Legal form of maintaining body</th>
<th>Local authority</th>
<th>Joint local authority</th>
<th>Limited company</th>
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<td>3631</td>
<td>3872</td>
</tr>
</tbody>
</table>

Provinces of Finland

<table>
<thead>
<tr>
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<th>Joint local authority</th>
<th>Limited company</th>
<th>Foundation</th>
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</tr>
</tbody>
</table>

Given that there are four legal forms of maintaining bodies, there should also be four cases: one AMK run by a local authority, one AMK run by a joint local authority, one AMK run by a limited company and one AMK run by a foundation. This yields several alternative case study institutions. I applied the criteria of legal form of maintaining body, geographical location of AMK and size of AMK – measured in terms of student numbers (cf. Pugh et al. 1969). Geographical location refers to regions in Finland (see table above). In addition, I moreover decided to take into account whether an AMK

English translations as presented on the web site of Finnish regional councils (2007)
operates in one locality or in several localities. In the OECD review (2003), the physical location of an AMK’s campus was one critical factor in the intensity of local steering of AMKs. It is pointed out that there are more regional interests in AMKs which operate decentralised across the region (OECD 2003, Puoskari 2004).

The above sampling procedure follows the method of purposive sampling (see Silverman 2000, 104; Patton 2002, 45-48). Purposive sampling allows a case to be chosen because it has some features of interest in a study (Silverman 2000, 104). This means studying those cases that will shed light on the research purpose under consideration. Purposive sampling is one of the most used methods in qualitative studies.

An AMK’s age is not a relevant aspect because the AMKs are all relatively new in Finland. The funding structure of an AMK could be one case selection criterion. In all legal forms of maintaining bodies, the operating funding of AMKs is based on unit price funding. In AMKs’ operating income funding structures, the average share of unit price funding in local authority-run institutions was 75 per cent in 2003. It was 76 per cent in joint local authority-run institutions, 83 per cent in limited company-run institutions and 85 per cent in foundation-run institutions. Thus, it is not a criterion that differentiates between the AMKs run under different legal forms of maintaining bodies.

The selection was made by searching for more information on AMKs’ web sites and checking whether they had implemented the new provisions of the Polytechnics Act (351/2003) relating to their internal governing body and internal regulations. The implementation mentioned entails reforming the composition of the AMK board according to the Polytechnics Act (351/2003, Section 3) and that the AMK should itself approve its own internal regulations (Polytechnics Act 351/2003, Section 13a). However, the internal regulations do not replace or supersede the validity of the current regulations of their maintaining bodies. The new Polytechnics Act (351/2003) came into force on 1 August 2003 and the AMKs were in different phases of the implementation process during spring and summer 2004. The Polytechnics Act allowed for a transitional period until the end of 2004. On the basis of the above selection criteria and the web site review, four case study institutions were selected.

After the selection of four case study institutions, two more case study AMKs were added – one institution operating in the form of a municipal enterprise and whose maintaining body is a local authority and one institution run by a local authority. The municipal enterprise is a corporation under a local government authority. It is possible for the council of a local authority to grant a corporation a more independent status than other municipal administrative departments (Valkama 2005, 99 and 147). The municipal enterprise offered an opportunity to enrich the empirical research data (cf. Stake 2003, 152). The AMK run by a local authority was included for purposes of replication. Hence one might expect similar results (Yin 2003) between two local authority run case study institutions. These two case study institutions are large institutions and both have a large local government authority as a maintaining body.
The final number of case study institutions was six and they are located in different regions of Finland. The selected case study institutions and their identification codes are as follows:

P1, an AMK run by a foundation (small, operates in more than one locality)
P2, an AMK run by a limited company (medium size, operates in more than one locality)
M1, an AMK run by a local authority (municipal enterprise, small, operates in one locality)
M2, an AMK run by a joint local authority (small, operates in more than one locality)
M3, an AMK run by local authority (large, operates in more than one locality)
M4, an AMK run by a local authority (large, operates in more than one locality)

Three of the case study institutions (P1, P2 and M3) had put the new provisions of the Polytechnics Act (351/2003) into practice and the remaining three (M1, M2 and M4) were preparing for the reform during the data collection period. This relates to the composition of an AMK board and the internal regulations of an AMK. The localities or regions of the case study institutions are not specified here in order to ensure their anonymity. Anonymity was stipulated by some of the case study institutions.

One criterion for judging the sufficiency of the number of cases is saturation of information, namely that when the interviewer begins to hear the same information repeatedly there is nothing new to learn (Seidman 1991, 45). Thus, the interviewer does not need to add to the number of cases. Because the case study institutions and the number of cases were selected before the interviews took place, the latter criterion could not be applied in this study. The criteria applied in this study were the legal form of maintaining body, the size of the institution, the location of the institution and the phase in the implementation of the Polytechnics Act (351/2003).

After the selection process of case study institutions, the rector and the financial director (or the administrative director with responsibilities of financial director) of each institution was contacted and all consented to participate in this study. The institutions considered the research theme valid and important. The rectors and financial directors and / administrative directors represent the institutional level senior management of the case study institutions. The rectors represent both the academic leadership and management of internal administration of their institutions while the financial directors and administrative directors represent the institutional level management of financial-administration and general administration. There are also other posts that belong to the category of institutional level senior management, but they are rectors and financial directors and / administrative directors with a crucial role in the internal management of the institutional level finances of their AMKs.
6.3.2 Empirical data collection

On the basis of the research problem and research questions set and the epistemological assumptions, it was necessary that the data collection should take place in the form of interviews. Interviews are the most important data sources for case studies (Yin 2003, 89; see also Hartley 1994, 210). Through interviews, one can collect information and knowledge through understanding of the cases in a way which is not possible using documents alone (Hammersley & Gomm 2000, 3). Interviews may provide more exhaustive descriptions of the phenomenon of financial autonomy than would a survey. However, open-ended discussions may also lead to inconsistent interviews with variable contents. This could have implications for the data analysis stage. On the whole, gathering and analysing information about a large number of aspects of each case study institution is an essential feature in case study research (Hammersley & Gomm 2000, 4).

Requests for interviews were sent to each interviewee by e-mail. The e-mails included an introduction to the research topic, a request for an interview and its purpose, an offer to provide further information and contact information. The case study institutions agreed to site visits and the rector and the financial/administrative director of the case study institution in question were interviewed individually. Some of them were new to their organisation while others had worked there ever since its founding. All informants gave permission for their interviews to be tape-recorded and for notes to be taken.

The case study institutions were also requested to send documentary data not available on the Internet before the interviews in order for the researcher to become familiar with the case study institutions in advance of the interviews. Most of the case study AMKs delivered the data before the interviews. Before the interviews, information related to internal governance, and administration and finances recorded on the websites of the case study AMKs was also reviewed.

The interviews were semi-structured (see Fontana & Frey 2000, 645-653; Hirsijärvi & Hurme 2004, 43; Yin 2003, 90). Semi-structured interviews provide flexibility for discussion, give space for responses without more specific questions, allow different questions to be asked in different cases, and in general enable a better understanding of the significance of the views and experiences of the informants. According to Yin (2003, 89) case study interviews are like guided conversations.

The structure and content of the semi-structured interviews led informants to focus on and discuss certain topics. The informants also had an opportunity to raise issues reflecting areas of special interest to their organisation. The general structure of the interviews was as follows:
I. Views on and experiences of the form of the maintaining body and its implications

II. Core areas of financial autonomy for the case study institution

III. The relations between the case study institution and the Ministry of Education as regards financial autonomy

IV. The relations between the case study institution and its maintaining body as regards financial autonomy

Each interview discussion helped to render the next interview more comprehensible during the interview process (see Krippendorf 2004, 89; Seidman 1991, 13). The semi-structured interviews provided an opportunity for the case study institutions to present their analyses of case-specific factors. The interpretations of these analyses in the form of research results were the work of the researcher. According to Seidman (1991, 16), interviewers are a part of the meaning-making process.

Documentary data are required to explore the local regulatory environments of formal financial autonomy of the individual case study institutions. No case-specific wider contexts were included in the collection or analysis of data, nor is this a requirement of a case study (Stake 2000, 145). The relevant case-specific documentary data included target agreements, operating licences, internal regulations, standing orders and regulations of maintaining bodies, budgets and financial plans, financial statements and annual reports. Websites and documents like minutes and strategies on the web-sites of the respective case institutions and their maintaining organisation and the Ministry of Education were a source of extensive information. A more detailed list of documentary data is shown in Table 8.

In addition, national AMK seminars, such as the Annual AMK Seminar, the Annual Seminar of Finance and the Seminar on Research and Development of Vocational Education provided background information on the AMKs.
TABLE 8. Empirical document and interview data collected

<table>
<thead>
<tr>
<th>National data (see also Chapter 2)</th>
<th>Case-specific documentary data</th>
<th>Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act on Polytechnic Studies (255/1995)</td>
<td>Target agreement</td>
<td>Interviews with rectors and financial / administrative directors (case study institutions P1, P2, M1, M2, M3 and M4)</td>
</tr>
<tr>
<td>Government bill (206/2002)</td>
<td>Result analysis</td>
<td></td>
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<tr>
<td>Statement of Constitutional Law Committee (74/2002)</td>
<td>Operating licence</td>
<td></td>
</tr>
<tr>
<td>Statement of Administrative Committee (41/2002)</td>
<td>Budget</td>
<td></td>
</tr>
<tr>
<td>Constitution 731/1999</td>
<td>Budget instructions</td>
<td></td>
</tr>
<tr>
<td>Polytechnics Act (351/2003)</td>
<td>Annual report</td>
<td></td>
</tr>
<tr>
<td>Government Decree on Polytechnics (352/2003)</td>
<td>Standing orders</td>
<td></td>
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<tr>
<td>Local Government Act (365/1995)</td>
<td>Financial regulations</td>
<td></td>
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<tr>
<td>Foundations Act (109/1937)</td>
<td>Internal regulations</td>
<td></td>
</tr>
<tr>
<td>Companies Act (624/2006)</td>
<td>Procurement instructions</td>
<td></td>
</tr>
<tr>
<td>Ministry of Education (web sites)</td>
<td>Minutes found in web sites</td>
<td></td>
</tr>
<tr>
<td>Development Plans for Education and Research AMKOTA database</td>
<td>Possible case-specific charters and agreements</td>
<td></td>
</tr>
<tr>
<td>National Board of Education, funding reports of education</td>
<td>Web sites of the case study institutions</td>
<td></td>
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<td></td>
<td>Web sites of the maintaining bodies of the case study institutions</td>
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<td></td>
<td>National Board of Education, funding reports of education</td>
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</table>

The national data is mostly reviewed in Chapter 2. It described the various legal forms of maintaining bodies, the unit price funding system of the AMKs and how the autonomy of AMKs is expressed in policy documents and in legislation.

6.3.3 Data analysis

The empirical case study research data consisted of

1) semi-structured interviews with the institutional level senior management at the case study institutions
2) documents.

Both the interview data and the documentary data were analysed by content analysis reflecting two specified approaches to the financial autonomy of higher education institutions.
All the interviews were tape-recorded and transcribed verbatim. Each interview lasted approximately 90 minutes. In addition, notes were taken during the interviews. The transcribed interviews were analysed using content analysis (e.g. Hirsijärvi & Hurme 2004, Krippendorff 2004, Yin 2003). Content analysis is a complex process. Therefore, this section focuses on a description of the analytical processing of the empirical data. The analytical process moved step-by-step from one phase to the next. The interpretation (Denzin & Lincoln 2003, 9-10; Patton 2002, 497) took place according to a multilevel design. The first preliminary interpretations started during the first interviews. After all the interviews had been conducted, the analysis was continued by multiple re-reading of the interview texts, case by case. The analysis of the collected documents supported the analysis process of the interviews and vice versa.

In this study, there was interplay between induction and deduction (Ragin 1994, 47). This is to say that in analysing the empirical data, there was a process of dialogue with the voice of the empirical data, and between resource dependence theory and the empirical data. This is an abductive logic that emphasises interaction between the theory and the empirical data, and in the empirical data between the interview data and document data. Abductive logic refers to a combination of inductive and deductive thinking (Patton 2002, 470). It begins from empirical perceptions but does not deny the existence of theory in the background. The main idea is that in forming perceptions and making interpretations, it is recognised that there is a guiding principle in making the analysis (Grönfors 1982, 33 and 379).

The first step in the analysis process was making a preliminary sketch and gaining an understanding of the case study institutions. Important points were underlined; margin notes and coding marks were added to the interview texts. In this way, the ideas of the informants were grouped and organised (see e.g. Patton 2002, 453; Seidman 1991, 91-92). It was a matter of interpreting details in order to continue to interpret the whole (see Ricoeur 1976, 77). After this, the interview transcriptions were read several times, concentrating on the contents to analyse the financial autonomy of individual case study institutions more closely.

The analysis continued with tables compiled in which interviewees’ dialogue and ideas were further grouped and structured into categories, case by case. The categories were entitled ‘Support’ or ‘Regulate’ or ‘Restrict’, ‘Penalise’, ‘Adapt’ etc. The themes were named on the basis of informants’ talk / responses and the theoretical framework. On the whole, the interpretation was an interactive process between searching for an understanding of the dynamics of financial autonomy in each particular case study AMK and how they appeared and exploring why they appeared as they did.

On the basis of the interview data, after a number of drafts, I constructed written analyses of each of the individual case study institutions using the entity perspective and resource perspective. The analyses can be regarded as ‘reconstructions’ (see Ricoeur 1985, 77) of the interview discussions with the informants of the case study institutions. To elucidate the analytical process in the empirical part of the data, there are
descriptions of case-specific findings as dynamics of financial autonomy drawn from the interview data at the beginning of Chapter 7. The aim is to raise those matters related to financial autonomy that the informants themselves emphasised in their interviews. These findings served to advance the analyses further within the documentary data and the interview data. Both the interview data and the documentary data were systematically analysed and the findings reported in light of the entity perspective and the resource perspective on financial autonomy. Within the resource perspective the data were analysed using the subcategories acquisition of resources, allocation of resources and outputs and outcomes produced with the resources. Resource dependence theory was used to guide and shed light on analysing and reporting the relationships between the case study institutions and their major steering and funding bodies.

The interview discussions were conducted in Finnish. Original citations in the empirical part of the study appear here in both Finnish and English. Research results were written in the form within-case analysis (Yin 2003). Analytical frameworks on financial autonomy were applied in each case study institution. In this study, to ensure the stipulated anonymity, both the case study institutions and the informants were analysed and presented anonymously. According to Stake (2003, 148) comparison between cases is competing with “learning about the particular case”. Opinion is divided on the role of comparisons in case study research (Patton 2002, 479-479; Silverman 2000, 179; Stake 2003, 148-149). However, the extent to which the comparison between cases is appropriate remains the personal decision of the author.

6.4 Credibility and transferability

To assess validity, there are the criteria of the internal, external and construct validity of studies (see e.g. Denzin & Lincoln 2003, 35; Hirsijärvi & Hurme 2004, 187; Yin 2003, 35-38 and 116). The critical point of the validity in small sample case studies is whether the empirical data obtained and the interpretations of that data do indeed respond to the research questions (see e.g. Denzin & Lincoln 2003, 37; Patton 2002, 245-246; Silverman 2000, 175-179). On the whole, validity and reliability are tied to the basic methodological choices made in this study. The research methodology is described in Table 9.
TABLE 9. Research methodology

<table>
<thead>
<tr>
<th>Theoretical framework applied</th>
<th>Resource dependence theory</th>
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<tbody>
<tr>
<td><strong>Ontology</strong></td>
<td>Abduction: AMK actors’ views on financial autonomy and two perspectives on financial autonomy</td>
</tr>
<tr>
<td>- constitution of financial autonomy</td>
<td></td>
</tr>
<tr>
<td><strong>Epistemology</strong></td>
<td>Researcher’s understanding and interpretations of the views and experiences of AMK actors as to what is happening between the institution and the Ministry of Education and between the institution and its maintaining body</td>
</tr>
<tr>
<td><strong>Research method</strong></td>
<td>Multiple case study</td>
</tr>
<tr>
<td><strong>Selection of case study institutions</strong></td>
<td>Purposive sampling</td>
</tr>
<tr>
<td><strong>Data collection</strong></td>
<td>Interview data, Documentary data</td>
</tr>
<tr>
<td><strong>Data analysis</strong></td>
<td>Content analysis</td>
</tr>
</tbody>
</table>

This study was based on qualitative methodology. This implies understanding the research phenomenon from the perspective of the AMK actors, approaching the reality of financial autonomy as subjective, experiential and context dependent; conducting flexible semi-structured interviews and interpreting the empirical data. Because of these features, I refer in this chapter to credibility and transferability rather than validity and reliability (Denzin & Lincoln 2003, 68-69; Patton 2002, 552-554). Credibility refers to high-quality data and is related to the collection and analysis of empirical data and the competence of the researcher. It requires, for example, systematic data collection and analytical procedures, reliability of data collection and analysis, integrity in analysis, multiple data sources and neutrality in investigating the phenomenon, (Patton 2002, 552-553.) Transferability refers to the possibility that the findings of the study have meanings for others in similar situations (Denzin & Lincoln 2003). These will be considered in Chapter 8.

The theoretical framework of the study is based on resource dependence theory (see Pfeffer & Salancik 2003, see also Parsons 2001, Scott 2003). The arguments for selecting resource dependence theory in preference to some alternative theory focused on inter-organisational relations were given in Chapter 5. The concept of constitution refers to how the formation of financial autonomy of the case study institutions takes place in relation to their major funding bodies (resource providers). In this sense its meaning is related to interactions occurring between organisations, as stated in resource dependence theory, and how the theoretical framework of the study is connected to the research topic.

The ontological approach is based on the AMK actors’ perceptions of their financial autonomy. Financial autonomy or the constitution of financial autonomy was not strictly pre-defined. Consistency between ontology and data collection is guaranteed by the
A multiple case study method was used to answer the research questions set. This can be regarded as a rigorous method to enhance the credibility of the study (Denzin & Lincoln 2003, 34-35; Patton 2002, 552). Six case study institutions were selected. Sampling criteria were based on the research purpose and research questions. They were discussed in light of the inclusion criteria earlier in this chapter. Purposive sampling is the conscious selection of certain case study institutions by the researcher. The legal form of maintaining body, the size and location of an AMK institution were applied as basic criteria when the case study institutions were selected. An additional inclusion and exclusion criterion was whether or not the new provisions of the Polytechnics Act had been implemented at the AMK.

The basic requirement is that the empirical data sources ‘represent’ both an AMK institution and its financial autonomy. Financial autonomy has been studied from the perspective of the case study institutions’ institutional level senior management. This is an internal view of an organisation and a choice that is based on resource dependence theory (Pfeffer & Salancik 2003, 20). Managers have a crucial role to play in the actions they take towards other organisations (Pfeffer & Salancik 2003, 265-268). Hence, the rectors and financial directors and / or administrative directors were interviewed.

Control and influence by major funding bodies were included, but no representatives of these organisations were interviewed; rather this perspective was obtained through the perceptions of the case study institutions. This follows resource dependence theory and the tradition of studying autonomy from the viewpoint of an actor whose autonomy is under scrutiny. Assumptions in resource dependence theory are made and considered from the perspective of a focal organisation; this is an organisation acquiring and receiving resources. In this study, this means studying financial autonomy from the perspective of AMKs and this choice is based on resource dependence theory.

This study relies on respondents’ perceptions of their financial autonomy alongside the documentary data. What is perceived by a resource recipient in the environment is important in resource dependence theory (Pfeffer & Salancik 2003, 89). According to Provan, Beyer and Kruytbosch (1980, 208-209) perceptual measures are likely to reflect both potential and enacted power. Potential power means capacity to control and enacted power means exercise of control. (Provan, Beyer & Kruytbosch 1980, 207 and 209.) Thus it is valid to examine through the subjective perceptions of AMK actors both potential actions and actual actions taken by resource providers (cf. Provan, Beyer & Kruytbosch 1980, 208 and Table 1 in which a number of examples of studies applying subjective assessments of perceived power covering both the potential and the enacted power are presented) and by themselves.

There are already a number of studies relating to local steering (e.g. Kohtamäki & Meklin 2001, Nyyssönen 2008, Puoskari 2004, Varis 2004) or both local steering and
state steering of AMKs (e.g. Antikainen 2002, Kohtamäki 2004, Meklin, Kohtamäki & Valkama 2000, Temmes, Ahonen & Ojala 2002, see also OECD review 2003). In an earlier study, informants representing a maintaining body, reported that the AMK actors themselves are in the best position to assess and review the autonomy of an AMK institution, because AMK actors have their own experience and opinions regarding autonomy (Kohtamäki & Meklin 2001, 27).

Denzin and Lincoln (2003) emphasise the use of multiple and different sources to add to credibility. In this study, semi-structured interviews were conducted with twelve individuals from the institutional level senior management of the case institutions in order to shed light on how financial autonomy is constituted, and to identify the most meaningful elements within financial autonomy in each AMK’s ownership context. In addition, as documentary data both national and case-specific materials were used.

The semi-structured interviews and the documentary data were analysed manually. The data analysis was interpretative and the research phenomenon multidimensional and dynamic. Thus, the strict correspondence between collected data and reality is problematic. According to Denzin and Lincoln (2003, 8 and 37-38), it is not possible to capture objective reality and there is no single interpretive truth.

The resource perspective and entity perspective on financial autonomy were used as a framework in analysing the empirical data. With the help of these two perspectives, the informants’ descriptions of their institution’s financial autonomy were analysed. Quotations from the interviews have been included to support the analysis and to give the reader insight into the thoughts of the informants (see Patton 2002, 430). In the interview discussions, I summarised the interviewees’ views thereby making preliminary interpretations during the interviews. Informants had an opportunity to check how I had understood them, and to confirm or reject my interpretations. In semi-structured interviews, this is a natural part of interaction with informants.

It is also appropriate to discuss the credibility of the study from the point of view of the researcher conducting the study (Patton 2002, 552). As a whole, the research process and the understanding of the research subject are close to my earlier work related to Finnish AMKs and the financial autonomy of universities. It can be assumed that this has shaped my perception, understanding and interpretation of the research subject and research findings. Thus, it is meaningful to refer briefly to other recent work of the author of this study. The review of the financial administration of AMKs in 1999-2000 (Meklin, Kohtamäki & Valkama 2000) – commissioned by the Ministry of Education, Finland - was the first step towards an empirical study on AMKs. My role in this project was to analyse the empirical documentary data (a questionnaire) and report on the findings, to conduct an additional survey to obtain more information, and to write a description of the then public funding system of AMKs. The review had a steering group consisting of members from the Ministry of Education, the Association of Finnish Local and Regional Authorities and from AMKs run by various types of maintaining bodies.
The maintaining system of one AMK institution run by a local authority was reviewed in 2001 (Kohtamäki & Meklin 2001). My role was to conduct the interviews and to collect and analyse the interviews and documentary data, likewise to write the final report. During 2002 and 2003, a small international survey on the financial autonomy of vocational higher education institutions was conducted (Kohtamäki 2004). In this study, the financial autonomy of Finnish AMKs was compared to that of comparable institutions in five other European countries. The contribution was the starting point in formulating the research setting for the purposes of the present study.

The most recent work besides this research project was serving as secretary general of the National Review of the Universities’ Financial Autonomy in 2006 and at the beginning of 2007 (Jääskinen & Rantanen 2006 and 2007, Kohtamäki 2007a, and 2007b). In this review – commissioned by the Ministry of Education, Finland – proposals on how to strengthen financial autonomy of Finnish universities were prepared. There was a working group consisting of the two reviewers, two representatives from the Ministry of Education and one member from the University of Helsinki. In addition to the final reports, the review included a number of hearings with a range of stakeholders and interest groups, interviews and discussions with national and international experts in the field of higher education. The international overview of the financial autonomy of universities addressed how country- and context-dependent the phenomenon of financial autonomy is (Kohtamäki 2007a and 2007b).

6.5 Conclusions

The research phenomenon, financial autonomy, faces different dilemmas in how it emerges in the normatively and administratively complex context of AMKs. The purpose of the study is to contribute to the understanding of this complexity. The research process is conducted to penetrate the phenomenon. The study does not follow any purely inductive or deductive research approaches. An inductive research approach means moving from observing a single case to generalisation, while a deductive research approach moves from general theories to a specific case (e.g. Denzin & Lincoln 2003, Merriam 1998, Ragin 1994). The work started inductively by considering the research phenomenon but, as can be seen, the research follows an abductive logic (e.g. Patton 2002, Denzin & Lincoln 2003). This logic aims to create new knowledge by combining inductive and deductive approaches. Abductive logic is preferred because it suits for the purpose of this study and because the nature of this study is explorative. After identification and contextualisation the research phenomenon autonomy was elucidated with the guidance of a literature review. Analytical frameworks for financial autonomy were developed with reliance on the literature. The theoretical framework guided how to approach and analyse the phenomenon empirically. The empirical research results depart from the views of the interviewees.
7. Empirical research results: the case study analyses

The case study analyses in this chapter address the most important aspects of financial autonomy at each of the six case study institutions. Two perspectives of financial autonomy – the entity perspective and the resource perspective – were applied as the analytical framework to illustrate the findings related to interactions between the case study AMKs and the Ministry of Education and between the case study AMKs and their maintaining bodies.

Findings drawn from the document and interview data are reported separately and mostly case-by-case (Table 10). The chapter begins with an overview of the interview data analyses. After this overview, the chapter continues by presenting findings under the entity perspective and the resource perspective. Within these perspectives, findings from the document data are reported first and thereafter the findings from the interview data analyses. In addition, within the resource perspective subcategories are applied, namely a) acquisition of resources, b) allocation of resources and c) outputs and outcomes provided with the resources used in data analysis. This grouping follows how the ability to control and exert influence on resources and organisation is assumed in resource dependence theory (Pfeffer & Salancik 2003, cf. Galaskiewicz 1985) and how Steiss (1989) defines financial management. A synthesis of the research findings concludes the chapter.

The names or geographical locations of the case study institutions are not presented here because of the requirement for anonymity. Anonymity is ensured at two levels: the cases overall and individual persons within each case (Yin 2003, 157). However, the abbreviations R and F respectively refer to the Rector and the Financial/Administrative Director. The more detailed contexts of the case study institutions have not been presented because the case study institutions preferred to remain anonymous.
TABLE 10. Description of reporting the study’s empirical findings

<table>
<thead>
<tr>
<th>Codes</th>
<th>P1</th>
<th>P2</th>
<th>M1</th>
<th>M2</th>
<th>M3</th>
<th>M4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form of ownership</td>
<td>Foundation</td>
<td>Limited company</td>
<td>Local authority</td>
<td>Local authority</td>
<td>Local authority</td>
<td>Local authority</td>
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<tr>
<td>Chapter 7.1</td>
<td>Case-specific Overview of the findings of the interview data</td>
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<tr>
<td>Chapter 7.2</td>
<td>Financial autonomy and the entity perspective: documentary data</td>
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<tr>
<td>Chapter 7.3</td>
<td>Financial autonomy and the entity perspective: interview data</td>
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<td></td>
<td>- Interactions between the case study institutions and the Ministry of Education</td>
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<td></td>
<td>- Interactions between the case study institutions and their maintainers</td>
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<tr>
<td>Chapter 7.4</td>
<td>Financial autonomy and resource perspective: document data</td>
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<td></td>
<td>- Interactions between the case study institutions and the Ministry of Education: Acquisition of resources, allocation of resources and outputs and outcomes obtained with the resources</td>
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<tr>
<td></td>
<td>- Interactions between the case study institutions and their maintainers: Acquisition of resources, allocation of resources and outputs and outcomes provided with the resources</td>
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<tr>
<td>Chapter 7.5</td>
<td>Financial autonomy and resource perspective: interview data</td>
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<td></td>
<td>- Interactions between the case study institutions and the Ministry of Education: Acquisition of resources, allocation of resources and outputs and outcomes provided with the resources</td>
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<td></td>
<td>- Interactions between the case study institutions and their maintainers: Acquisition of resources, allocation of resources and outputs and outcomes provided with the resources</td>
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<tr>
<td>Chapter 7.6</td>
<td>Synthesis of the research findings</td>
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7.1 Overview of the findings of the interview data

The overview of the findings of the interview data analysis provides the context and grounds for reading the more detailed case specific data analysis in the following sections. On the basis of the interview data, the major elements connected to the constitution of the financial autonomy of the case study AMKs are presented. The viewpoints and experiences of the informants on financial autonomy in the case study institutions were focused around the operating and financial frameworks of the AMK institutions (see Figures 4-8). The figures aim to reflect those issues the informants themselves raised in the interview discussions. There are matters related to organisational structures, purpose of maintaining organisation, financial steering and management tools and actors influencing in steering, depending on the case in question.
**7.1.1 Case study institution P1 run by a foundation**

In case study institution P1 there was close relation between the AMK and its maintaining body to promote the purposes of a foundation. Accordingly, the strategic aim of the AMK was strongly integrated with the purpose of a foundation. A foundation was seen as a supporting body for the AMK and it also aimed to raise additional funds for the AMK. While the financial affairs rested with a foundation, the professional knowledge and responsibility for developing the AMK lay within the institution. A foundation and the CEO/rector were responsible for the financial management of the AMK.

The AMK had freedom to implement the strategy and freedom to obtain and allocate resources within the limits of the budget. A foundation exercised intensive budget and financial monitoring. The individual financial responsibility of board members of a foundation led to active financial control. The AMK was financially dependent on the level of unit price funding and attractiveness to students in the various study fields in which the AMK can offer teaching. The AMK aimed to strengthen its distinct profile – as an elite higher education institution and not as a regional higher education institution – and aimed to seek support from the Ministry. The Ministry was regarded as a financial resource provider, a regulator and a controlling body with respect to the AMK’s operational and financial frameworks. The legislation, target agreement and operating licence were means the Ministry applies.

**FIGURE 4. Description of the dynamics of financial autonomy of case study institution P1**

**7.1.2 Case study institution P2 run by a limited company**

The maintaining body of case study institution P2 was a limited company (referred to hereafter as ‘company’) with various types of shareholder. The shareholders consisted of local authorities, joint local authorities and private organisations. The form of limited

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1. Interviewees referred to the ‘AMK company’ when discussing the relationship between the shareholders and the Ministry. However, they referred separately to ‘the company’ and ‘the AMK’ when discussing the relationship between the company and the AMK.
company permitted all legal persons to participate in steering the AMK through membership of the company board as different types of shareholders. A main shareholder and a company board were the major local financial steering bodies. The shareholders required the case study institution to be self-sufficient. A company had a firm financial grasp on the AMK. Same senior management staff (rector / CEO, financial director) served a company and the AMK. Finances were based on unit-price funding flows, capital stock and strict planning of the numbers and structure of staff, and facilities provided by the shareholders. A company introduced and developed its own financial management system and the corporate culture throughout the organisation to manage the cost factors. However, a company took into account the main policy lines of the main shareholder.

The major ways in which the AMK were controlled by the Ministry were the Ministry’s power to determine the number of starting places\(^2\) in the target agreement, by comparing the performance of case study institution P2 and the other AMKs, and through the terms of the operating licence. Because the operating licence is based on the favour of the Ministry, it had the ability to influence the nature of the interaction between the AMK-company and the Ministry.

FIGURE 5. Description of the dynamics of financial autonomy of case study institution P2

7.1.3 Case study institution (a municipal enterprise) M1 run by a local authority

The organisational status of case study institution M1 was that of a municipal enterprise within a local authority. The AMK board operated under the board of a local authority and without any committee between them. Local politicians were active and had strong interests in and made demands of the AMK. In particular, there were demands for the

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\(^2\) Starting places are places for students to begin their studies.
AMK to improve the local economy. According to the AMK, it cemented its finances through the independent organisational status and the firm regulations. This was the way for the AMK to increase its own financial control. However, elected officials occasionally took the initiative to gain access to the AMK’s decision-making. The rector tried to deal with the local environment actively.

A local authority allowed the AMK more budgetary flexibility than to the other administrative departments. The AMK emphasised its profile as part of the national higher education system and aimed to avoid certain local demands that it considered irrelevant for the AMK. The AMK gave high priority to the target agreement. In this way it committed itself to the implementation of the target agreement – and further raised the commitment of the maintaining body to the target agreement. The Ministry exercised control over input resources – student intake, the total number of students, study fields and degree programmes – and monitored intensively the efficiency of the performance of the AMK.

![Diagram](image)

**FIGURE 6. Description of the dynamics of financial autonomy of case study institution M1**

### 7.1.4 Case study institution M2 run by a joint local authority

All matters relating to case study institution M2 were seen by member local authorities to be matters of interest to them. There was a strong sense of ownership. However, member local authorities did not always agree on how the AMK should develop. In principle, member local authorities and the AMK shared the same strategic aim: to develop and vitalise the region. However, in practice, the case study institution was faced with an absence of common goals, and with strong interest pressures and competition of influence exercised by member local authorities. This was a challenging starting point for the long-term development of the institution, and as one coherent entity.
Financial management was the responsibility of a joint local authority. The resource acquisitions and resource allocations of the AMK were controlled and control was exercised over human resources and the location at which education is provided. The AMK was aiming to extend its control by preparing regulations clearly defining the authority boundaries between the AMK and the maintaining body and in which AMK's financial autonomy would be widened. The AMK strengthened linkages to the higher level of steering body, the Ministry of Education, and planned to change the form of the maintaining organisation. Unit price funding was decisive for the existence of the AMK. Member local authorities paid particular attention to financial accountability. The Ministry's central roles emerged as deciding on the student intake in different study fields, cutting the number of study fields offered and penalising the AMK if it exceeded its student intake target, and monitoring the AMK's performance.

7.1.5 Case study institutions M3 and M4 run by local authorities

The maintaining bodies of case study institutions M3 and M4 were large organisations with political-administrative systems to promote well-being in their regions. Case study institutions M3 and M4 were administrative departments within local authorities. From this, it followed that the AMKs were treated like any other administrative departments by their maintaining bodies. Both the case study AMKs took local politics and political time cycles of the maintaining bodies into account in their internal governance and
administration. The major strategic aims of local authorities were channelled to the AMKs and these aims were also the strategic aims of the AMKs.

In case study institution M3, the maintaining agreement guaranteed the unit-price funding for the use of the AMK, but determined how the financial resource allocations are to be made within the institution. Regulations, directions, orders and instructions were tools to commit the AMKs to the overall financial steering and management system of the maintaining body. The maintaining body set the budget frames and financial control rested with the maintaining body. It delegated financial authority to the AMK and it made decisions as to the division of authority between the AMK and the maintaining organisation. The AMK fund was established to balance financial fluctuations between financial years.

In general, case study institution M3 received enormous support from the maintaining body in the form of capital investments to develop the campus. Thus, the maintainer raised capital to finance the investments of the institution. In addition, the AMK was able to rely on the liquidity position of the maintainer. Conversely, the case study institution was committed to the strategies of the local authority and aimed to promote the development and growth of the city in which the main campus was located. This was described as a symbiosis-type relationship. The AMK aimed to increase the visibility of its performance, the volume of activities and student numbers, and the size of the institution, in order to retain its position in the future. The Ministry was seen as the body providing financial resources for the operations of the AMK within the limits of the state budget.

The informants from case study institution M4 emphasised the importance of the organisational status of the AMK and the AMK board directly under the board of a local authority. Financial steering and management were the responsibility of a local authority and they were further based on the strategies of a local authority. The maintaining body set the budget frames at the beginning of the budget process and this meant the same cost growth rate for all departments within the maintaining organisation. The net budgeting system was achieved after several years’ struggle. Financial authority was also delegated to the AMK. However, the maintainer decided how authority should be balanced between the AMK board and the rector within the AMK institution. The detailed instructions and being part of laborious document control systems had some bureaucratic impacts on the AMK. The AMK highlighted its large number of students and activities, good performance and more generally, into large size in the region where other competitive higher education is available. The Ministry was regarded as being the national expert steering body in the higher education sector. It provided the

3. The net budget system implies that the difference between the appropriations and the estimated revenues specified in the budget is binding. Gross budgeting means that both the appropriations and the estimated revenues are defined separately and both are binding.
financial resources and basic lines to develop the institution and to which the AMK is committed.

FIGURE 8. Description of the dynamics of financial autonomy of case study institutions M3 and M4

7.2 Financial autonomy and the entity perspective: documentary data

From the document data analysed, the inter-organisational linkages as to how the Ministry and the maintaining bodies can control and influence the case study AMK are similar to those assumed in the resource dependence theory (Pfeffer & Salancik 2003). These findings also help to explain how the case study institutions relate to the Ministry and their maintaining bodies. Pfeffer & Salancik (2003, 257) refer in this connection to the design of external control of organisations.

On the whole, the mechanisms and inter-organisational linkages in the documentary data were related to the internal governance and administration and the finances of the case study AMKs. The actions included setting the frameworks and targets for operations and finances of the case study AMKs. These involved organising local administrative hierarchies and governing body structures, regulation, agreements, ownership of facilities, arranging access to AMK board meetings, establishing the combination of CEO / rector role, and maintaining the monitoring and reporting systems.
7.2.1 Setting frameworks and targets for operations and finances by the Ministry of Education

The Ministry’s power manifested as a major actor in setting the frameworks and targets for operations and finances of the case study institutions (cf. Pfeffer & Salancik 2003, 47-49). The Ministry’s power also implied that it acted as a major party in the target agreement process between each AMK, the maintaining body and the Ministry.

Target agreements and degree programmes

The case study institutions functioned within the frameworks set by the Ministry and locally determined frameworks. Target setting took place through the target agreements. The target agreements (for the period 2004-2006, see Appendix 5) contained the following main elements for each case study AMK:

- Targets common to the whole AMK sector
- The mission of the case study AMK
- Case specific development targets
- Provision of education defined in terms of the student intake per field of study
- Resources: unit price funding (basic formula) and project funding for specified purposes
- A quantitative target to increase external funding (a proportion of the operating revenues)
- Monitoring and reporting

All the case study institutions’ target agreements followed the same structure. The target agreements dealt mainly with teaching and education. The common targets for the AMK sector or the individual case specific targets – with the exception of the projects funds – were not bound by money. The typical way to express the targets in the target agreements (2004-2006) was in terms of development: development of institutional activities, development of performance and development of institutional structures.

The operating licences defined the study fields and localities of the case study institutions. Case study institution M1 operated in one locality. Case study institutions P1, P2, M2-M4 operated in two or more localities. The institutions were not allowed to organise degree education in localities other than those specified in the operating licences. All the case study institutions were entitled to offer degree education in the various study fields specified in the target agreements. New degree programmes were approved by the Ministry on the basis of an application of an AMK. Thus, the maintaining body or by the AMK were not able to establish degree programmes. The Ministry considered the contents of the operating licences when it approves new degree programmes.
Annual unit prices
The Ministry made the decision on unit prices for the case study AMKs annually on the basis of the approximate unit price confirmed by the Council of State\(^4\) (6,264.20 Euros per student in 2005). The unit prices per student decided by the Ministry vary from case to case because major cost differences between the degree programmes in different study fields and in other teaching arrangements were taken into account. (An example on the calculation of the unit price can be seen in Appendix 2). In addition, certain compensation coefficients that were part of the state subsidy system are applied. The coefficients either raise or lower the level of the case-specific unit-prices. The unit-prices per student for the case study AMKs are factors in the formula when the total unit-price funding is calculated for the institutions.

Performance criteria in 2004-2006
The Ministry defined the performance criteria and evaluated the performance of the case study institutions. On the basis of these evaluations, the Ministry allocated performance-based funding to the institutions. The general criteria for performance-based funding were improvement of teaching and teaching methods, attractiveness of the degree programmes offered and student progress in studies, co-operation with the labour market and research and development work, regional impact and operations and capacity for renewal. The other criteria used by the Ministry for performance-based funding allocations were the proposals of the Finnish Higher Education Evaluation Council for the centres of excellence in teaching and for the centres of excellence in regional impact. (Ministry of Education 2004:20, 16.)

There was a statement in each case study institution’s target agreement specifying sums that could be provided for various categories of performance-based funding. According to this, in 2004-2006 the Ministry made grants to those AMKs with the best evaluation outputs and outcomes in terms of general performance-based criteria, on the basis of centres of excellence criteria in 2005, and on the basis of highest level criteria for influencing regional development in 2006. Performance-based funds have not yet been granted or agreed on in the target agreements.

7.2.2 Setting frameworks and targets for operations and finances by the maintaining bodies

The maintaining bodies set locally the frameworks for operations and finances of the case study institutions. The tools applied were budgets, regulations, agreements and ownership of the premises of the institutions. The maintaining bodies had the power to make rules and also otherwise regulate the institutions (cf. Pfeffer & Salancik 2003, 47-49).

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\(^4\) The calculation of the unit price funding was changed in 2006. During the transition period of the new funding system the level of unit price might fall by 3 per cent or rise by 5 per cent.
Budgets
The budget documents and financial plans approved by the maintainers included the goals, revenue estimates and appropriations for the case study institutions. The net budget principle was applied in all case study AMKs. This is to say that this method of budget control is not as tight as it would be under the gross budgeting system. In executing the budget, net budgeting increased the opportunity for AMKs to decide on the management of their finances. The contents of budget documents are considered more closely in the context of the resource perspective.

Regulations
The authorities and responsibilities of the case study AMKs were defined in the different regulations. The maintaining bodies had varying local obligatory or voluntary regulations and agreements to meet5. Case study institutions P1, P2 and M2 also had charters in addition to the other regulations. In general, the regulations had implications in both the areas of the case study AMKs’ internal governance and administration, and in their finances.

TABLE 11. Regulations of the maintaining bodies

<table>
<thead>
<tr>
<th></th>
<th>P1</th>
<th>P2</th>
<th>M1</th>
<th>M2</th>
<th>M3</th>
<th>M4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructions</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative regulations</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Standing orders</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial regulations</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Authorisation levels for</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>procurements within the above</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>regulations (P1-M3) or in some</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other specific instructions (M4)</td>
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<td></td>
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<tr>
<td>Separate travel rules (M4) or</td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>rules within the above mentioned</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>regulations (P2, M2)</td>
<td></td>
<td></td>
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</tbody>
</table>

5. The administrative regulations are obligatory for the local authorities and joint local authorities. It is up to the maintaining body what other standing orders it has. Provisions relating to financial management and auditing, administration and finances can be included in the administrative regulations or separately in their own standing orders (financial regulations, for example). (Harjula & Prättälä 2004, 382-393, Local Government Act 365/1995, Section 50.) Central operational principles in the limited companies are set up in the charter, in the articles of association and in the Companies Act. In addition, there can be the shareholder agreement (osakassopimus). In the foundation there have to be regulations. (Companies Act 624/2006, Foundations Act 109/1930.)
In case study institution P1, the instructions provided general frameworks for the operations of the AMK. According to the instructions, the purpose of the regulations was to supervise the AMK so that the continuation of the operations to the AMK is safeguarded. The contents dealt with governance and administration, executive management and internal organisation. The internal organisation of the AMK was also defined in the instructions. Executive management rested with the rector and senior management. According to the separate financial regulations, the rector was responsible for general administration and economy. Authorisation levels of procurements were stipulated in the financial regulations.

The administrative regulations applied to case study institution P2 defined in detail the duties of the shareholders’ meeting, the company board and the chief executive officer (CEO). According to the administrative regulations, the CEO was the rector. The CEO / rector decided on the internal organisation of the AMK and this decision was based on instructions issued by the company board. The separate financial regulations determined in detail the financial-administrative tasks of the company board, the AMK board, the CEO / rector and other staff members responsible for finances, they contain orders on financial administration, accounting and financial statements; monitoring, reporting and control and auditing. Management was the responsibility of the CEO / rector, subject to the advice and regulations of the company board.

In case study institution M1, the maintaining body had administrative regulations that were applied to all departments of a local authority. In the administrative regulations there were provisions for administrative procedures and decision-making. There were also regulations related to the execution of the budget and changes to the agreed budget. There were no separate financial regulations. More specific regulations on the operations, governance and administration and finances of the AMK were in the standing order approved by the council. The standing order was subordinate to the regulations of the maintaining body. The division of the authority between the rector and the AMK board was defined by the standing order. The position of the AMK in the standing order was defined as being part of the national higher education system. The tasks of the council were restricted to the budget and financial plans of the AMK. In addition, members and the chair of the management board were appointed by the board of the local authority. All other major duties of the maintaining body were the responsibility of the management board. The rector was the CEO. Financial management and control rested with the council and the board of a local authority and the management board.

In case study institution M2, the administrative regulations of the joint local authority contained orders related to organisation, decision-making and codes for meetings of the joint local authority. They also specified authority of the AMK in employment issues, the duties of the maintaining body and the division of tasks between the joint council and the joint board, the composition and the tasks of the AMK board and the general tasks of the rector. The administrative regulations also contained orders
related to employment issues, financial administration, execution of the budget and procurements. Management, steering and development of activities of the joint local authority were the responsibility of the joint board. The joint board operated as a strategic decision-making body of the joint local authority. Financial planning, management and control are the responsibility of the director of the joint local authority. Planning, preparing and monitoring finances were the responsibility of the financial director under the director of the joint local authority.

The administrative regulations, the financial regulations and the instructions on procurement were applied to all departments of the local authority including case study institution M3. The financial regulations contained provisions related to the budget and financial plan, payment transactions, accounting and reporting. The instructions for procurement contained policies and principles to deliver appropriate economic- and competition-based purchasing, in compliance with the public procurement legislation. The standing order was approved for the AMK, and it was subordinate to the other regulations of the maintaining body. Following the standing order of the AMK, the council appointed committee members and the rector, approved the standing order for the AMK and the budget and financial plans. The committee performed all the other tasks that belong under the responsibility of the maintaining body. The local authority has delegated certain employment issues (appointments, salaries and other staff issues), financial-administrative and general administrative issues to the AMK. The local authority was able to revoke the authority delegated to the AMK. The financial steering of the AMK in the maintainer organisation was the responsibility of the council, the board and the committee.

In case study M4, the administrative regulations of the local authority – applied to all bodies of the local authority - contained general provisions on decision-making procedures, meeting codes of conduct and administration. There were separate financial regulations of the local authority including provisions related to budget execution and financial administration. Financial management and control of the AMK within the maintaining organisation rested with the council and the board. The AMK had a separate standing order approved by the maintainer. In the standing order, the issues delegated by the maintaining body to the AMK were specified. These matters related to the creation of official posts and positions, amendments to titles and tasks of posts and these matters can be decided within the limits of the agreed budget. In addition, the local authority has delegated to the AMK conditions of salary, employment service relations and other employment issues.

Agreements

In two of the case study AMKs, there were agreements, approved by maintaining bodies, which also reflected on the financial autonomy of these AMKs. Case study institution P2 had a shareholder agreement and case study institution M3 had a local maintaining agreement.
The shareholder agreement (P2) contained matters related to the purpose of a limited company, the division of the capital stock between the shareholders, facilities and moveable assets, administration, staff, guarantees and dissolving of the limited company. In the shareholder agreement, it was stated that the purpose of a company is not to provide financial profits to the shareholders. Instead, possible positive financial outputs and outcomes were to be used for improve the operations of a company. The basic operating related principles were regional equality and that there was no intention to change the extent of the availability of education in the region. This aimed to guarantee the availability of AMK education in many localities.

The maintaining agreement (M3) was an agreement between the maintaining body and the regional partners. It contained provisions regarding fields of education, location of units, governance, funding, establishment of an AMK fund, capital investments, facilities, income from own activities, the division of shared operating costs, auditing and the position of the staff.

**Ownership of premises**

The maintaining bodies’ status of ownership implied a legal right to be owners of property – for example buildings and the moveable properties - where the premises of the case study AMKs were located. The proportions of the facilities under the ownership of maintaining bodies are shown in the table below.

<table>
<thead>
<tr>
<th></th>
<th>P1</th>
<th>P2</th>
<th>M1</th>
<th>M2</th>
<th>M3</th>
<th>M4</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>67</td>
<td>32</td>
<td>85</td>
<td>63</td>
<td>44</td>
<td>44</td>
</tr>
</tbody>
</table>

The rest of the facilities were rented from other organisations by the case study institutions or their maintaining bodies. The maintaining body usually authorised the AMK to sign leases. These types of authorisations were related to exercising financial autonomy and will be considered later.

**7.2.3 Other influence exerted by the maintaining bodies**

The ability to influence of the maintaining bodies was also revealed by setting AMKs in the local governing body structures and administrative hierarchies and in organis-
ing access to the decision-making of AMKs. The maintaining bodies constituted the local administrative structures and contexts for the case study institutions (cf. Pfeffer & Salancik 2003, 259). This influence had to do with internal governance and administration within the entity perspective.

**Local governing body structures and administrative hierarchies**

Each ownership group included different types of governing bodies. At the same time, the governing bodies above the AMK board (Table 13) were the bodies with power to exercise financial control over the AMK. The formal organisational status of the case study AMKs within the maintaining organisation was addressed in the charts of the maintaining bodies.

**TABLE 13. Local governing body structures**

<table>
<thead>
<tr>
<th>AMK run by a foundation</th>
<th>AMK run by a limited company</th>
<th>AMK run by a joint local authority</th>
<th>AMKs run by local authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>P2</td>
<td>M2</td>
<td>M1, M3, M4</td>
</tr>
<tr>
<td>Board of trustees</td>
<td>Meeting of shareholders</td>
<td>Joint Council</td>
<td>Council</td>
</tr>
<tr>
<td>Board</td>
<td>Board</td>
<td>Board</td>
<td>Board</td>
</tr>
<tr>
<td>AMK board</td>
<td>Chief executive officer</td>
<td>AMK board</td>
<td>Board of management (M1)</td>
</tr>
<tr>
<td></td>
<td>AMK board</td>
<td></td>
<td>Committee (M3 and M4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>AMK board</td>
</tr>
</tbody>
</table>

Above the AMK boards in each case study institution, there were at least two governing bodies. In case study institutions P1 and P2, the governing bodies existed only for the maintainer organisations and the AMK institutions. The two columns on the right-hand side of Table 13 contain governing bodies that also exercised control over the other departments of units within the maintainer’s organisation.

In case study institution M2, the maintainer owned both a vocational training institute and the AMK institution. In case study institutions M1, M3 and M4, the maintaining bodies were local authorities, with their respective responsibilities (see Chapter 1). In case study institution M3, a separate committee was set up to carry out some of the duties of the maintaining organisation, including those related to financial issues. Case study institution M4 also had a committee, but it was mostly an advisory body with different duties from those of the committee of case study institution M3.

**Gaining access to decision-making of an AMK**

**Gaining access to AMK board’s meeting:** A maintaining body’s representatives’ access to AMK board meetings was a channel for exercising direct influence over an AMK’s
financial and other decision-making. Access implied the right to attend and speak at AMK board meetings. The following representatives have access to AMK board meetings:

- A chair and a vice-chairman of the company board (P2, imposed in the AMK’s internal regulations)
- People who are invited to the AMK board meeting by the chair or by the decision taken by a majority of AMK board members (M2, AMK’s standing order)
- A municipal manager and an assistant municipal manager and a chair or a vice-chair of the committee (M4, AMK’s standing order)

In case study institution M3, the representative of the board of the local authority had access to committee meetings. In case study institution P2 representatives of the AMK, namely the vice-rectors, also had the right to attend and speak at company board meetings.

**Combination of roles of CEO and rector:** In case study institutions P1, P2 and M1 the roles of CEO and rector were combined. According to the standing orders of case study institutions P2 and M1, the executive director also held the position of rector. The position of the CEO / rector established a co-ordinating link between the AMK and the maintaining body, and provided an opportunity to control the AMK institution. The rector’s status in the two case study AMKs (M3, M4) run by local authorities was as head of administrative department within the maintaining organisation. This is to say that head of administrative department is subordinate to the board of the local authority and the municipal manager and possibly to the assistant municipal manager. The head of administrative department was responsible for co-ordinating the activities of his / her sector with the other sectors of the local authority and for promoting the implementation of the strategy of the local authority. In addition, the head of administrative department reported on the operations and finances of his / her sector to the local authority.

### 7.2.4 Monitoring and follow-up systems of the Ministry of Education and the maintaining bodies

Control exercised by the Ministry and the maintaining bodies also covered various monitoring and follow-up systems. The case study AMKs reported on their activities and finances in detail through the various national information systems (the AMKOTA system).
database, the OPALA student feedback system, data collected by Statistics Finland and by the National Board of Education. Institutions wrote result analyses as part of their target negotiation processes with the Ministry. The Ministry utilised the collected information in evaluation, comparison and planning. The realisation of the target agreements was assessed annually during the target negotiations.

The case study institutions also reported regularly to their maintainers during the financial year on how the budget was being executed and how the targets were being achieved. All the case study AMKs followed their maintaining bodies’ instructions on budget reporting.

The case study institutions were also part of the accounting procedures and the annual financial statements of the maintaining bodies. The internal and the external audit of the maintaining bodies formed the audit framework for the case study institutions.

7.3 Financial autonomy and the entity perspective: interview data

In the resource dependence theory, there are no classifications of the control and influence held by resource providers. Instead, resource dependence theory recognises several strategies from the point of view of the resource recipient.

From the point of view of the entity perspective on financial autonomy the Ministry had the decisive power to allow the operating licences to remain in force. The public funding system was the cornerstone for continuing operations in the case study institutions. The pressure as regards reforming small unit structures of higher education institutions into larger ones was also mentioned. As entities the case study institutions were authorised higher education entities and units under the performance-based steering of the Ministry.

Interaction between the case study institutions and their maintaining bodies was related to the purposes of the maintainers, the way they treated the AMKs, and according to the organisational position and status of the AMK entity in the maintaining organisation. As entities the case study institutions viewed themselves as a subsystem and part of their respective maintaining bodies (P1 and P2), a municipal enterprise (M1), a unit under the maintainer control and administrative departments (M3 and M4). Emphasising symbiotic interdependence was one way in one institution (M3) to retain the achieved status – generous financial support for the AMK (cf. Pfeffer & Salancik 2003, 154). In one other case study institution (M1), interdependence was actively avoided by influencing the arrangement of a separate organisational unit (cf. Pfeffer & Salancik 2003, 77) - the municipal enterprise.

On the basis of the interview data related to the entity perspective, it seems that adaptation and avoidance of control by the case study institutions took place at the same time as suggested by Pfeffer & Salancik (2003, 106).
7.3.1 Interaction between the case study institutions and the Ministry of Education

Operating licence
Informants’ experience of the Ministry was as a strong actor with the operating licences which were both regulative and economic tools available for the Ministry. This was pointed out by informants from P1, P2, M1, M3 and M4. The AMK institutions were firmly established by the permanent operating licences. The process for applying for permanent operating licences was much on the minds of the case study AMKs’ senior management.

The operating licence established the case study AMKs’ capacity as an operating entity and their status as higher education institutions. The operating licence established an entity entitled to receive public funding for its activities and costs. All the case study institutions were heavily dependent on public funding. Withdrawal of the operating licence would close down the unit price funding and also the other types of public funding. The operating licence was crucial to the AMK’s ability to operate. The significant coercive power of the Ministry was its power to withdraw the licence:

“The Ministry or the Council of State has given us the operating licence and in principle it is able to withdraw the licence”. (M3, R)

“Opetusministeriö tai valtioneuvosto on antanut meille tämän toimiluvan ja voi periaatteessa poiskin meiltä ottaa.” (M3, R)

The case study AMK institutions (or to be exact the maintainers) obtained their operating licences with the Ministry’s consent. Thus, the Ministry has had an important role from the beginning. The granting of an operating licence reflects the nature of the relationship between the AMK and the Ministry. This aspect was still part of the interaction with the Ministry.

“The background is that we now negotiate [the target agreement] with the partner that has been kind enough to help to ensure that we were granted the operating licence.” (P2, R)

“Taustalla on sellainen malli että nyt neuvotellaan [tavoitesopimus] sen kanssa, joka armollisesti oli edesauttamassa sitä, että meillekin se toimilupa myönnettiin.” (P2, R)

To perform contrary to the operating licence was not permitted without being placed on the Ministry’s ‘black list’ (P1, R). The existence and continuation of the operations and the financial flows were heavily dependent on the operating licence.
Unit price funding system
The same unit price funding source dominated the case study AMKs’ operating income structures. The public funding system was the cornerstone of the existence of the institutions and their continuing to operate. The unit price funding system was regarded as being the source of the strict frameworks for operations and finances (P1 and P2). There were also opinions (P1, M2 and M3) emphasising that the AMK legislation and the public funding system were contradictory. The legislation required that new tasks be performed – applied research and development – but without access to additional public funding under the public funding model. In one case study institution (M4), it was suggested that unit price funding should be paid directly to the AMKs without a link to the maintainers.

Unit structures of higher education institutions
The message from the Ministry was that the size and structure of the AMKs was to be changed:

“The clear and strong message from the Ministry is that branches have to be abolished and the system will be shifted towards stronger and real higher education units in which it is possible for high quality education and research and development work to occur.” (M1, R)

“Ministeriöhän nyt erittäin vahvasti, viestii, että näistä filiaaleista olisi päästää vahvempiin todellisiin korkeakouluysiköihin joissa on mahdollisuus laadukkaaseen koulutukseen ja tutkimus- ja kehittämistyöhön.” (M1, R)

Case study institution M4 described the structural changes at their institution that have been conducted consistent with the contents of the target agreement. Some branches have been abolished and operations have been centralised in the city in which the main campus is located. The Ministry gave positive feedback when structural changes in the unit structures were implemented.

There were no differences in the Ministry’s actions among the case study AMKs although there were some differences in the way the AMKs felt about the Ministry’s steering policy and guidance and how it was accepted. For some, the Ministry was the legitimate and highest national steering authority for the higher education sector and the major provider of resources. For case study AMKs P2 and M3, the Ministry was more or less the superior regulator under which the subordinate AMK had to operate.
7.3.2 Interaction between the case study institutions and their maintaining bodies

Control and influence by the maintaining bodies focused on demands and expectations imposed on their AMKs (cf. Pfeffer & Salancik 2003). Awareness of demands is an important pre-condition for reacting to the demands (Pfeffer & Salancik 2003, 97). How the case study AMKs acted in managing those demands (cf. Pfeffer & Salancik 2003) is also presented in this section.

1) Case study institution P1
The AMK and the foundation presented themselves as a singly entity based on the common reason for their existence. The AMK was fully committed to and identifies with the purpose of the foundation7.

“In one sense the fact that we have a clear owner is unique. The owner is able to adhere to what it wants from its higher education institution, define what its strategic goal is and why it operates as a maintaining body in the first place.” (P1, R)

“Silloin tämä tietystä mielestä on ainutlaatuisuus, että meillä on selkeä omistaja, että se pystyy kuitenkin pitäämään sinä, että se sanoo mitä se haluaa korkeakoulustaan, mikä on sen strateginen tavoite, miksi se on yhtenä vastaamana ammattikorkeakoulua.” (P1, R)

The closeness of the two organisations in practice implied that the location of legal authority so far as finances is concerned, is in principle insignificant: “It does not matter whether the foundation or we are able to operate as an economic entity” (“Meille se on yhdentekevää, onko se säätiö vai me, joka pystyy toimimaan taloudellisena yksikkönä”) (P1, R).

Formally the existence of the AMK was based on the legal and financial capacity of the foundation and on the foundation’s capacity to meet and carry out these responsibilities. The foundation was the body with the balance sheet and “Ultimately, it is on our own shoulders how we are able to carry out our duties” (“Miten me pystymme tämän tehtävän hoitamaan on viime kädessä omilla harteilla.”) (P1, R). According to the informant there was continuous uncertainty because bankruptcy is always a possibility and the foundation had insufficient capital8. “There are no big owners behind

The balance sheet of the foundation contained assets of foundation capital and several funds. The foundation had a long term investment strategy and a financial group for managing the funds. The market price of the funds (defined in the annual report) accounted for a half year’s personnel costs of case P1.

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7. In the interviews, the informants referred mostly to ‘us’ meaning both the institution and the foundation. The informant appreciated having a unitary maintaining body and emphasised that from the beginning, the case has avoided dispersed ownership structures and functioned without ties to the pre-merger institutions’ maintainers.

8. The balance sheet of the foundation contained assets of foundation capital and several funds. The foundation had a long term investment strategy and a financial group for managing the funds. The market price of the funds (defined in the annual report) accounted for a half year’s personnel costs of case P1.
us with other assets. We only have this foundation.” (“Taustalla ei ole isoja omistajia joilla olisi muuta tasetta. Meillä on ainoastaan tämä säätiö”) (P1, R).

There were strong interests among foundation board members to encroach on operational areas of the AMK. “The Foundation wants to get closer to operational activities but will never get there…it will always be a problem” (“Säätiö haluaa lähemmäs operatiivista toimintaa, mutta koskaan ne ei tule sinne pääsemään… se tulee aina olemaan ongelma”) (P1, R). The informant explained that the reason behind the interest of the board members is that they are firmly committed to maintaining and developing the institution, particularly because ultimately they carry financial responsibility for the foundation personally.

The rector / CEO’s ability to manage the AMK-foundation relation was a necessary condition for maintaining boundaries between internal governance and administration of the AMK and the foundation. The rector / CEO took care to maintain a working relationship between the AMK and the foundation board through ongoing personal contact and face-to-face discussions with the foundation chair. In implementing the Polytechnics Act, the informant emphasised that there was no conflict between the two and “the foundation acts as our supporting body”.

2) Case study institution P2
The establishment of financial capacity and factors affecting later financial steering were decisive in forming the financial position and basis for the company and the AMK.

“…the starting point [for financial autonomy] is the establishment phase of the company and the consideration of what types of markers the company is put into action.”
(P2, R)

“…se [taloudellinen autonomia] lähtee liikkeelle siitä kun yhtiö on perustettu ja mietitty millä pelimerkeillä se pannaan liikkeelle.” (P2, R)

What kind of economic unit the company was – strong or weak – depends on background factors. These factors were defined as shareholder capital, size and structure of the staff and premises. How this emerged in this AMK run by a company will be discussed more in the context the of resource perspective on financial autonomy.

The main shareholder with over 40 per cent ownership was the major local financial steering body together with the company board. Linkages between the company and the main share holder were arranged through membership of the company board - five out of the eleven members represent the main shareholder organisation – through a common auditor and by interpersonal contacts between the senior management of both organisations. A representative nominated by the main shareholder was appointed
to chair of the company board. A representative of the main shareholder also always participated in the target meeting with the Ministry.

The AMK followed and was aware of the policy decisions laid down by the main shareholder for the main shareholder organisation’s departments. However, the informant emphasised that they are not directly under the main shareholder’s control, but rather the AMK took into account the policies of the main shareholder itself. In practice, the company did not act contrary to its main shareholder’s policies; the AMK adapted to the policies of the main shareholder.

Experiences of having one’s own economic unit were related to having one’s own systems of governance. In many connections the informants referred to ‘one’s own’, such as their own maintenance model, their own governance system, their own company culture, their own budgeting system and their own regulations. Thus, the company was not subject to the other organisation’s administrative regulations and it established its own type of governance system for the AMK run by a company.

“We manage on our own; we do our governance and administration independently. We do not use the systems of any others. We have our own models in funding. It follows that we are quite autonomous, but the price is high.” (P2, R)

“Me tulemme toimeen omillamme, teemme hallintomme itsenäisesti. Meillä ei ole käytössä minkään muun systeemejä. Omat mallit käytössä rahoituksessa, josta seuraa sitten, että varsin autonomistahan se on, mutta hinta on ehkä kova.” (P2, R)

“Our system has been built in such a way that the finance is truly under control.” (P2,R)

“Se lähtee sellaisilla malleilla liikkeelle, että sitä taloutta voidaan todella ohjata.” (P2, R)

A strong company culture permeated the organisation. The informant pointed out that the pre-merger institutions have had various and loose financial-administrative practices and this raised the need for strong financial control by the company.

The informant also emphasised the common organisational memory of the AMK run by a company. The informant referred to the common will of the shareholders, their co-operation and shared experiences in developing the AMK company. According to the informant, the common will and objective of the AMK company and its shareholders can be traced from the experience of their common to obtain a permanent operating licence. The informant pointed out that in the future, there is a fear that the organisation will forget this common battle.

The company was regarded in particular as being the financial decision-making body and the strategic steering body. The informants emphasised one AMK-company entity but the division between the company and the AMK seemed to appear in mat-
ters related to financial management (in resource acquisition and resource allocations) and financial responsibility. The content of education was seen as being a matter for the AMK institution’s concern.

“The institution and the maintaining body go hand in hand. Their goals are so similar. They have never been separated into different parts. The company legislation determines a lot in its own way. It is our point of departure and it will be retained. There is the maintaining body and there is the AMK institution.” (P2, R)

“Osakeyhtiölainsäädäntö on omalla tavalla määrävä lainsäädäntöä, niin me ollaan pidetty se koko ajan selkeästi näkökulmana ja on haluttu pitää se näin. Siellä on ylläpitäjä ja ammattikorkeakoulu.” (P2, R)

“A matter in which money is primary belongs to the Company. But if we talk about study programmes, acceptance of study modules, curricula or respective matters relating to contents of education they belong to the AMK board” (P2, F)

“Että se, missä selkeästi raha on päällimmäisenä, niin se on helposti siellä osakeyhtiön puolella. Mutta jos puhutaan opinto-ohjelmien, opintojärjestysten vahvistamisesta, opetussuunnitelmien vahvistamisesta tms. niin kaikki tämmöiset opintojen sisältöön liittyvät asiat menee ammattikorkeakoulun hallitukseen.” (P2, F)

3) Case study institution M1
The informant described the current financial-administrative and organisational status of the AMK, mostly as a result of its own actions and timing. The local authority has been politically willing to develop the institution and the institution has utilised this willingness to the full.

“With the internal regulations we have succeeded in ensuring that the power is in our own hands.” (M1, R)
“Me ollaan johtosäännöllä onnistuttu tekemään niin, että valta on meidän omissa käsissä.” (M1, R)

9. According to the informants, one strategy for retaining independent status within the maintaining organisation was that they succeeded in avoiding being located administratively under the municipal education committee (sivistystoimi) from the beginning. Instead, they (the AMK and the AMK board) have operated under the board of the local authority. The management board is responsible for the general administration and finances of the municipal enterprise under the board of the local authority. This provides close links to the local authority’s key decision-making bodies. Members of the board of the management are appointed by the board of the local authority and also the chair is appointed among the board members by the board of the local authority. The director of the municipal enterprise (a rector) is the official with the responsibility of formally referring matters to management board meetings.
There was a strong motivation for the AMK to buffer the institution’s finances. The major reason for this was to guarantee financial stability for the AMK and to protect the AMK from possible financial fluctuations of the local authority. As the informant pointed out, as a result the AMK had ‘cemented’ its finances through the organisational status as a municipal enterprise within the local authority and through firm regulations. The management of the AMK had to rest within the AMK:

“The first task is to take the management into your own hands. That is to say that the AMK has been given the own mission---and must be organised so that the given mission will be accomplished.” (M1, R)

“Ensimmäinen tehtävä on ottaa johto käsiinsä eli se tarkoittaa sitä, että kun ammattikorkeakoululle on annettu oma tehtävä --- Organisoidaan se sillä tavalla, että se tehtävä tulee tehtyä.” (M1, R)

The AMK secured its position as a higher education institution through the Ministry. The AMK’s mission can be traced from the national level regulations. For the AMK, the Ministry represented the basic resource provider and the national regulative and financial authority. The AMK engaged with and was firmly of the opinion that the institution and its status are part of the national higher education system10.

The decisive decision-making body for AMK matters was the AMK board. The informant highlighted that “It is crucial that decisions concerning the AMK are made by the AMK. We really know about things. Decisions are not made by externals who know nothing about our operations.” (“Se on tietysti se olennainen asia että meitä koskevat päätökset tehdään me itse täällä jotka asiat oikeasti tuntevat. Niitä ei tee joku ulkopuolinen tai puhtaasti poliittisella mandaatilla tullut henkilö jolla ei ole mitään käsitystä meidän toiminnasta.”) (M1, F). The informant actively created large network relationships both at the local and at the regional levels and worked closely with the local authority’s key decision-making actors. The local key decision-makers were informed of what the AMK was about and the AMK sent its representation to all possible strategically important meetings.

Faced with a number of demands, the AMK aimed to take responsibility only for those matters that belong to the AMK institution. Local political interests also focused on the AMK’s independent organisational status. There were opinions about staying away from the business of the AMK institution and there was political willingness to change the administrative-organisational position of the institution. The AMK was active in order to retain its current position and it had to buffer the position all the time. The municipal enterprise was susceptible to change. The informant emphasised

10. In the standing order, the tasks of the AMK are defined exactly according to the Polytechnics Act. In addition, the AMK as an entity is defined as being part of the national higher education system.
that “you have to assess what the scenarios are and to think all the time”. (“Sun täytyy koko ajan laskea skenaarioita ja miettiä.” (M1, R).

4) Case study institution M2
The member local authorities of the joint local authority were politically active and had strong interests in the operations and steering of the institution. The AMK did not have a precise and clear view of what exactly was expected of it. “There is not always consensus as to how one should act and proceed. One falls in-between. It is because the member local authorities disagree…” (“Aina ei ole yksimielisyyttä siitä miten tulisi toimia ja menetellä. Jää välüin. Kun ylläpitäjät on erimielisiä…””) (M2, R). The general decision-making atmosphere was power driven: “In a way there is an ongoing battle as to who decides” (“Tavallaan otetaan mittaa siitä, kuka päättää.”) said informant (M2, R). The local control exercised by the member local authorities was felt to tight, detailed and somehow it did not recognise the institution itself. Implementation of the new provisions of the Polytechnics Act was politically delayed.

The AMK aimed to strengthen its status as an AMK institution through the Ministry. The aim was to attain more of the higher education type steering model and probably replace the maintaining system. The informant viewed it as necessary to create clear authority boundaries between the AMK and the maintaining body. “Certain matters are not the business of the maintaining body. This is really important” (“Tietyt asiat ei kuulu ylläpitäjälle. Tämä on hirveän tärkeää.”) (M2, R). The main aim of the AMK was to utilise to the full the possibility of strengthening its status through the new Polytechnics Act.

Some further steps were taken to strengthen the boundaries between the institution and the member local authorities. There was an initiative to change the budget procedures, that the appropriations for the AMK would be approved for the whole institution instead of cost category allocations to the AMK’s different fields of activity. A draft of the AMK’s internal regulations was prepared and it rested heavily on the principle of establishing a more autonomous institution.

The informant emphasised that the AMK was in a state of a transition. Stability and prerequisites for financial autonomy demanded strategy based working instead of the detailed control and financially oriented steering existing at the local level.

11. The member local authorities composed an extra steering level with two steering bodies beside the formal joint local authority organisation. One main interest of the member local authorities was to guarantee AMK education in their municipalities. Centralisation of AMK functions, for example, was out of the question.
12. The informant considered how the Polytechnics Act was implemented in some other AMKs and the informant aimed to avoid solutions in which the AMK could not utilise to the full its autonomy.
5) Case study institution M3
Under financial steering by the maintainer, the AMK was treated as any other administrative department of the local authority. The financial framework agreed by the maintainer – both in terms of content and timetable - were applied throughout the departments of the local authority. The large scale local steering structures and instruments truly committed the AMK to the policies and goals of the maintainer, the informant pointed out.

The maintaining agreement strengthened the AMK as an entity but at the same time the agreement weakened the institutional level financial decision-making of the AMK, pointed out the informant. The AMK attempted to change the content of the maintaining agreement but it was a matter that requires wide political acceptance and was not simple.

According to the informant, there was a symbiotic relationship between the AMK and the maintaining body:

"Both of us [the maintaining body and the AMK] have certainly understood that there is a symbiosis between us…” (M3, R)
"Me ollaan varmaan kumpikin osapuoli [ylläpitäjä ja ammattikorkeakoulu] ymmärtänyt, että tässä on symbioosi…”(M3, R)

The maintainer made big investments in the AMK’s new campus facilities. One central matter was that the cash management of the large maintaining body safeguards the case study AMK and it was able to rely on the maintainer’s adequate short term liquidity and its risk capacity for borrowing funds.

The maintaining body, in turn, enhanced its own status in particular as a higher education city. “It is true that the maintaining body has utilised us in many of their documents and in a way they have made an effort to raise their own status through us” (“Kyllähän ylläpitäjä on hyvin monissa asiakirjoissa käyttänyt meitä tavallaan statuksensa kohottamiseen.”) (M3, F). The local authority counted on positive effects of the institution for the local public economic. The AMK made efforts to retain its status, and it emphasised its size and visibility within the maintaining organisation and in the region.

6) Case study institution M4
The organisational position of the AMK was that of one administrative department among others of the local authority. The AMK was set in the same mould as all the other units, pointed out the informant:
“…as a department we are identical to the other departments [of the maintaining body]. It is not easy for the maintaining body to conceive of the AMK institution differently.” (M4, R)

“Me olemme kuin mikä tahansa muu hallintokunta. Ylläpitäjälle ei ole helppoa ajatella ammattikorkeakoulua eri tavoin.” (M4, R)

“This is how it is done and how it works. What is required of the other departments is also required of the AMK.” (M4, F)

“Näin tehdään ja näin toimitaan ja mitä edellytetään muilta hallintokunnilta, edellytetään myös ammattikorkeakoululta.” (M4, F)

The budget of the maintaining organisation and the financial frames set up by the maintaining body were applied as such throughout the all departments of the local authority. The AMK’s finances were closely linked to the finances of the maintaining body. This took place through the maintainer’s financial steering and management systems and procedures.

The informant said that a net budgeting system was attained after several years’ lobbying work and struggle. The experience of the new net budget principle was seen as facilitating flexibility and quicker processes within the AMK. Thus, the locus of internal budget control was partly shifted to the AMK.

The informant emphasised that the AMK is a professional organisation. The local authorities lack the knowledge to manage such professional organisations and their activities. Instead, the Ministry was regarded as being the highest professional authority and a genuine actor to control activities in the higher education sector. In its steering the Ministry was seen by the informant to have the right ideas and it is the Ministry that formulates the future picture of the AMKs. However, the informant pointed out that “To some extent, one can also influence what they think about things in the Ministry” (“Pystyy jonkin verran vaikuttamaan siihen, mitä opetusministeriössä asioista ajatellaan.”) (M4, R).

In relation to the maintaining body, the most important thing for the AMK was the recognition the status and tasks of the AMK as a higher education institution.

“The meaning of the AMK is emphasised in ceremonial speeches, but is it yet seen as a legitimate higher education institution? This is a big challenge. Of course, our aim is to be considered a genuine higher education institution among all other higher education institutions. Certainly it will take time before all this work and knowledge is truly recognised.” (M4, R)
The board of the local authority was the body that mainly took on the duties of the maintaining body. The AMK board, administratively located under the board of the local authority, provided direct and close connections with the key elected officials. “The AMK board works under the board of the local authority. This confers real autonomy, because there is no intervening committee between them” (“Tämä sisäinen ammattikorkeakoulun hallitus meillä toimii suoraan kunnanhallituksen alaisuudessa. Tämä on kyllä tällaista todellista autonomiaa, tässä ei ole mitään lautakuntaa välissä.”) (M4, R).

The AMK took into account local elections and local politics when developing the institution and in preparing matters for decision-making. The AMK aimed to avoid all negative news in public. The AMK exercised careful press follow-up in order to be informed about the news in which the institution was mentioned.

The AMK was also faced with administrative procedures of a local authority. When the AMK prepared and reformed its internal regulations, the maintaining body withdrew the decision, and in this way exercised its rights as prescribed in the Local Government Act, and added to the working group representation of the maintaining body.

7.4 Financial autonomy and the resource perspective: documentary data

This section addresses the possibilities of the case study institutions to exercise financial autonomy and how control and influence by the two resource providers were able to affect their financial autonomy. From the documentary data it is possible to specify the issues that were related to public funding, target agreements, maintainers’ budgets, i.e. providing the case study institutions with resources (cf. Pfeffer & Salancik 2003, 259), authorisation levels by the maintainers and financial monitoring – i.e. setting rules and regulations related to resources (cf. Pfeffer & Salancik 2003, 49). The resource perspective here has to do with finances and internal governance and administration.
7.4.1 Funding by the Ministry of Education

To exercise financial autonomy, the case study AMKs needed monetary resources. The amount of major funding sources available for the activities of the case study institutions - unit price funding -, was referred to in the target agreements as follows: “Provided that the number of Euros the maintaining body of the AMK grants for the AMK’s operating costs in 2004-2006 is equal to the unit price multiplied by the number of students, the Ministry of Education shall provide the AMK with project funding”.

The above reference to the unit price multiplied by the number of students followed the funding legislation and how the AMK-specific amount of unit price funds was calculated. However, the target agreements did not include the exact numerical sums of the unit price funding. This was because the state budget at this stage has not been published and the Council of State has not confirmed the national unit price when the target negotiations are conducted. With the aforementioned clause, the Ministry aimed to guarantee that the total amount of unit price funds is paid to the AMKs by the maintainers.

There were also several project funds for different purposes in the target agreements of the case study institutions. All the project funds were earmarked for specific purposes. The earmarking was concerned the purpose of the funds and not with itemised costs. The Ministry demanded annual reporting over the use of project funds.

The following table presents the proportions of unit price funding and also other operating funding sources of the case study AMKs.
TABLE 14. Relative proportions of operating fund sources of the case study AMKs in 2004 and 2005 (National Board of Education 2007)

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<tbody>
<tr>
<td>State project funding</td>
<td>3.8</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.9</td>
<td>2.1</td>
<td>2.0</td>
<td>5.0</td>
<td>3.1</td>
<td>1.8</td>
<td>2.8</td>
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<tr>
<td>EU funding</td>
<td>1.9</td>
<td>1.2</td>
<td>0.7</td>
<td>1.1</td>
<td>0.6</td>
<td>0.2</td>
<td>0.6</td>
<td>0.0</td>
<td>0.1</td>
<td>0.3</td>
<td>0.7</td>
<td>0.3</td>
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<tr>
<td>Other project funding</td>
<td>7.4</td>
<td>6.6</td>
<td>3.0</td>
<td>3.1</td>
<td>0.7</td>
<td>0.4</td>
<td>1.9</td>
<td>1.9</td>
<td>0.9</td>
<td>0.8</td>
<td>2.8</td>
<td>6.1</td>
</tr>
<tr>
<td>Charged services</td>
<td>2.2</td>
<td>6.5</td>
<td>7.9</td>
<td>6.9</td>
<td>17.4</td>
<td>16.1</td>
<td>24.3</td>
<td>19.0</td>
<td>13.3</td>
<td>9.2</td>
<td>4.1</td>
<td>4.2</td>
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<tr>
<td>Unit price funding</td>
<td>75.3</td>
<td>74.3</td>
<td>86.2</td>
<td>86.7</td>
<td>71.9</td>
<td>75.7</td>
<td>71.2</td>
<td>74.1</td>
<td>82.0</td>
<td>87.6</td>
<td>79.5</td>
<td>83.6</td>
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<tr>
<td>Maintainer funding</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>6.5</td>
<td>5.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.7</td>
<td>0.3</td>
<td>10.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Other funding</td>
<td>9.5</td>
<td>9.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
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<tr>
<td>Total</td>
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The unit price funding formed the major operating funding source in each case study institution. The relative proportion of the unit price funding was over 70 per cent in the all case study AMKs in 2004 and 2005. The relative proportion of the same funds source was over 80 percent in the case study institutions P2, M4 and M4 in 2005.

7.4.2 Budgets of the maintaining bodies

The budget documents included goals for the case study institutions and revenue estimates and appropriations. The binding level of the budgets in relation to the maintaining bodies was at the institutional level in case study AMKs P1 and M1-M4.
In case study institution P2, the binding level in relation to the maintainer was at the operating unit level.

The operating plan within the budget document included the operating goals for case study institution P1. The goals were related to the improvement of education quality, research and development work, internationalisation, staff development, regional development and education supply. The goals were congruent with the goals of the target agreement. The operating plan specifies project funding for each goal group set. The estimated revenues and appropriations for the AMK in the budget were in the form of a line-item budget.

The budget of case study institution P2 included the revenue estimates and the appropriations. The budget approved by the company board was at the level of the operating units. The agreed budget was a line-item budget.

The budget of case study institution M1 contained a short review of changes in the operating environment, the basic mission of the AMK, the vision, strategic goals for service delivery and effectiveness, renewal and working capacity of the employees, processes and structures and financial resources. On the basis of the strategic goals critical survival factors were specified. On the basis of the critical factors, further operative targets and indicators were set. Actions as to how the operating target was to be achieved were defined for the budget year. The numerical part of the budget included quantitative targets for student intakes, the number of students in specialist training, the number of degrees completed, the total number of students and the goals for restricting expenditure per student, an operating margin per student and the net sum per student (revenues – expenditures/student). The finances of the AMK included estimated revenue and appropriations in the form of cost and income categories. The number of staff and the income statement were included in the budget document. The financial plan covered three financial years and the first year was the same as the budget year.

Budgeting in case study institution M2 was based on the Balanced Scorecard System. In the budget approved by the council, the basic task and vision, strategic goals and critical success factors of the institution were defined. In addition, the budget contained operating targets and indicators. There were targets for service delivery and effectiveness, employees’ learning and working capacity, internal processes and structures, and financial resources. The numerical part of the budget was a line-item budget.

The budget of the maintainer of case study institution M3 was based on the Balanced Scorecard system. In the budget of the maintainer of this institution, a number of matters were defined. These included the business idea of the AMK, the critical success factors in the areas of effectiveness, clientele, the operation and organisation of the operation, staff and resources; goals and actions in the long term, indicators (the number of staff and students, the unit-price per student), and estimated revenues and appropriations.

13. Balanced Scorecard System is a framework for strategic planning and management (see more Kaplan & Norton 1996).
The budget of the maintainer of case study institution M4 was also based on the Balanced Scorecard System. The following items were defined in the maintainer’s budget:

- the accountable head of administrative department (the rector)
- the strategic framework (the business idea, vision and challenges the strategy of the maintainer specifies for the AMK)
- changes in the operating environment and their effects on the AMK, verbal and indicator based goals for the budget year and for the next two year-period in the financial plan in the areas of societal effects, customer management and service ability, finances, learning, growth and working capacity and processes and structures, description of actions by which the goals were to be achieved, realisation of indicator goals in three previous financial years, and estimated operative and investment revenues and appropriations for operative expenditures and investments.

7.4.3 Authorisation levels by maintaining bodies

The resource perspective on financial autonomy on the basis of the regulations that concerned the case study AMKs is considered below. The regulations are reviewed and authorisation levels related to annual budget, procurement, borrowing, leases / contracts, capital programmes, staff appointments and establishment of vacancies are shown in Appendix 6.

1) Case study institution P1
The foundation board and the CEO / rector of the foundation wielded the major financial authority. The budget was prepared and approved in the form of a line-item budget for the entire institution. However, the binding level was the institution i.e. in the budget implementation; items need not be identical to the specifications in the line-item budget. Borrowing and capital programmes were the responsibility of the foundation board. The CEO / rector was authorised to make financial decisions up to the sum of 100,000 Euros. The rector appointed staff and created new positions except for senior management.

2) Case study institution P2
The company board decided on the strategic development of the AMK, budget and financial plans approved target agreements with the Ministry, appointed the CEO / rector, approved significant agreements and capital programmes and decided on borrowing. The appointment of staff to existing vacant positions and the creation of new
senior management positions were also decided by the company board. The CEO / rector’s authorised limit for procurement was 80,000 Euros. Procurement decisions for sums above this had to be decided by the company board. Thus, the company board and the CEO / rector of the company had the major financial authority. The AMK board prepared proposals on the budget and financial plan to the company board, decided on internal allocations of appropriations, and decided how to use surpluses in the department of research and development in accordance with the guidance of the company board. The CEO / rector was authorised by the financial regulations to arrange budget transfers between units or between different operating cost items within units. The AMK board was authorised to create new positions for principal lecturers and senior lecturers.

3) Case study institution M1
Financial authority was divided between the council, the board of management and the rector. The council approved the budget for the entire institution. The board of management was authorised to borrow money within the limits of the budget and it decided on capital programmes. The rector had procurement authority within the agreed budget. S/he also was authorised to make all staff appointments. Official posts within the agreed budget were created by the board of management. The rector was authorised to establish all other vacancies.

4) Case study institution M2
Major financial authority rested with the joint council, the joint board and the financial director of the maintaining organisation. The budget was a line-item budget approved for responsibility centres by the council. Procurement decisions for goods or services under 100,000 Euros were made by the financial director within limits of the budget. Staff appointments were decided by the maintaining body and the executive rector of the joint local authority. The rector of the AMK was authorised to make staff appointments other than senior management. The creation of new posts was the responsibility of the council. According to the charter of the maintaining body, any budget surplus resulting from the financial year was transferred to the maintaining body’s own capital.

5) Case study institution M3
Financial authority was divided between the council, the board, the committee, the AMK board and the rector. The council approved the budget at the institution level. Capital programmes were decided by the council. Regarding investments, the maintainer agreement also referred to joint decision-making between the partners. Borrowing was decided by the board of the local authority within the limits of the budget. The
committee, specific for this case study institution, appointed senior management staff and established new positions for the AMK. The maintaining body also delegated its authority to the AMK on staff issues. Procurement decisions were the responsibility of the AMK board (for sums over 85,000 Euros) and by the rector (for sums up to 85,000 Euros). Leases and contracts were decided on by the Rector unless otherwise stipulated.

The maintaining agreement defined how the maintaining body allocates unit price funds between the operating units of the AMK. Possible budget surpluses or losses were transferred to the unit’s funds at the end of the fiscal year. The operating units had the right to divert income other than unit price funds for their own purposes. In addition, it is stated in the maintaining agreement that the maintaining partners can allocate additional funds to operating units to cover costs that exceed the unit price. However, there were detailed instructions for the use of the funds in the maintaining agreement.

6) Case study institution M4
Financial authority was divided between the council, the board, the AMK board and the rector. The council approved the budget at the level of the AMK’s responsibility centres and decided on borrowing and capital programmes. The AMK board decided on the AMK’s purchases over 50,000 Euros. All new AMK positions were created by the AMK board within an agreed budget. The rector’s procurement authority was limited to 50,000 Euros. The AMK board appointed senior management staff and the rector appointed all other staff.

The funding agreement (M4) between the maintaining body and the regional partners ensured funding in case of negative operative outputs and outcomes. The purpose of the funding agreement was to specify how the maintaining body and its other partners cover AMK operating costs in situations where those costs could be covered by unit price funding. The maintaining body prepared cost calculations after each financial year. The partners shared the uncovered operating costs of the institution in proportion to their student numbers. In addition, the funding agreement required that the partners rent facilities for the AMK.

14. The AMK, in addition to the tasks prescribed in the legislation has the right unless otherwise prescribed, defined or determined: 1. to decide on the employment and dismissal of employees, to allow resignations to the extent that such authority is not vested in other organs; 2. to determine the conditions upon which personal are employed, likewise salaries and other personnel matters; 3. to determine matters of finances and general administration. Executive power in these matters has been transferred to the AMK from the maintaining body (Local Government Act 365/1995).

15. Possible budget losses or surpluses are as such transferred to the operating unit to increase or decrease its appropriation. If there is a budget loss and the unit is not able to cover it with the funds, the unit has to make a proposal to the Board on how it will cover the loss. The proposal has to be made right after the preparation of the financial statements and before opening the books for the next accounting period.
7.4.4 Monitoring by the maintaining bodies

The regulations of case study institution P1 did not contain provisions on how or what the AMK should report to the foundation\textsuperscript{16}. The financial regulations required that the finances of the AMK and the finances of the operating units and the solvency are systematically monitored. According to the financial regulations, the aim of the reporting was to support financial decision-making in which the economic perspective was taken into account. The interim financial statements were constructed once per financial year. Concerning case study institution P2 the company board had to be provided with a report on the finances of the AMK each quarter. Case study institution M1 was required to report quarterly to the board of the local authority.

According to the administrative regulations of case study institution M2, the joint board was responsible for monitoring the finances of the joint local authority and the AMK board was required to approve the budget allocation tables\textsuperscript{17} for the AMK institution. The administrative regulations emphasised the clear responsibility for execution of the targets and for the operating and financial outputs and/ outcomes. Regarding the financial statements of the joint local authority, the administrative regulations of case study institution M2 required the AMK board to deal with the use of the appropriations and the realisation of the operating targets before the financial statements are approved by the board of the joint local authority. The administrative regulations (M2) stipulated that the financial director should prepare follow-up reports on finance. The periods for preparing these follow-ups were not specified in the regulations.

The financial regulations of the maintainer of case study institution M3 required that the situation concerning finances, operations and the execution of the budget be reported at least quarterly during the financial year. The financial regulations also required that the departments of the local authority prepare the budget allocation tables for their operations. The AMK reported quarterly to the board of the local authority during the financial year. The AMK reported to the committee on the implementation of the budget allocation table. According to the financial instructions of the board of the local authority, the AMK institution (and all other departments of the maintaining body) had to monitor and report to the board of the local authority on staff numbers and changes in staff numbers. According to the maintaining agreement, the parties to the agreement appointed two auditors for a one year period to audit the affairs of the AMK. The auditors gave their statement to the parties of the agreement.

The financial regulations of the maintaining body of case study institution M4 required that all departments prepare budget allocation tables. The instructions issued

\textsuperscript{16} According to the interviews, the AMK reported quarterly to the foundation board and the interim financial statements were prepared twice per financial year.

\textsuperscript{17} A budget allocation table was a more detailed plan to implement the budget than the actual budget document. It indicated how an appropriation is allocated for different purposes and what the estimated revenues comprise. However, the Local Government Act (365/1995) does not recognise a budget allocation table.
by the financial department of the local authority pointed out that the allocation tables should include:

–the strategy of the department, the critical factors of the Balanced Scorecard System and their goals for the period of the financial plan, the texts approved by the council, the specified operating and financial targets together with the detailed actions, the detailed staffing plan for the period of the financial plan and the investments in the period of the financial plan.

The council of the local authority (M4) issued the budget instructions annually and determined to what extent the budget is binding on the departments of the local authority. According to the budget instructions of the council, the departments had to report to the audit committee, the board and the council of the local authority regarding the implementation of the binding operating targets twice per financial year. A financial forecast also had to be provided to the AMK board twice per financial year. In addition, the additional financial forecast had to be delivered to the board of the local authority.

### 7.5 Financial autonomy and the resource perspective: interview data

The importance and specification of what the major input resources (Pfeffer & Salancik 2003, 46 and 259-260) from the Ministry for the case study institutions are and how they emerged in each case is considered in this section. The Ministry’s control and influence were directed to the acquisition of resources and performance of the case study institutions. As regards the maintaining bodies, their control and influence were related mainly to the input resources and allocation of resources (cf. Pfeffer & Salancik 2003, 47-49) of the case study institutions. The resource providers had power to control and influence both monetary and non-monetary resources. Control over resources provides power over the organisation (Pfeffer & Salancik 2003, 258).

#### 7.5.1 Interaction between the case study institutions and the Ministry of Education

1) **Case study institution P1**

**Acquisition of resources: heavy dependence on single source of revenue**

The position of the AMK was financially vulnerable. The main source of operating revenues came from unit price funding and it was closely linked with the extent to which students are attracted to the study fields in which the AMK was licenced to offer education. There have been significant enrolment fluctuations in recent financial years.
and this has led to decreasing levels of operating revenue. The AMK was also required to repay some unit price funding to the Ministry\textsuperscript{18}.

The Ministry’s regulation was crucial in terms of starting places because the Ministry restricts the number of study places the AMK can offer in different study fields. If the institution took in extra students, the Ministry cut the project funds paid to the maintainer. In this way, the Ministry restricted the expansion of enrolments. Informants noted that the institution needed additional financial resources, but the legislation restricted the ways in which an AMK may acquire additional income (for example through student fees) and the public funding system did not take into account higher cost levels associated with the geographical location of the institution.

“Our role as a public service provider is unique in the way that we are a private organisation with public responsibilities and we are not able to define the price for the service we produce. Instead, the state determines the price and it does not take into account all of the cost factors. It is more expensive here than elsewhere; the salary levels and rents are higher here. There are several differences and we cannot charge tuition fees or otherwise react…” (P1, R)

“Meidän rooli tällaisen julkisen tehtävän hoitavana organisaationa on aika ainutlaatuinen sikäli, että tavallaan sitä julkista tehtävää hoitava yksityinen organisaatio, että me emme pysty määrittelemään hintaa sille palvelulle jota me tuotamme. Vaan valtio määrittää sen hinnan, joka kaiketä ei ota huomioon kaikkia kustannustekijöitä. Esim. että tällä on kalliimpaa kuin muualla, palkkataso on korkea ja vuokrataso on korkeampi. Kaikki nämä erilaisuudet kuitenkaan vaan se on tällainen hyvin. Kuitenkaan me emme esim. saa asettaa lukukausimaksuja tms.” (P1, R)

The case study AMK initiated discussions with the Ministry about the situation of privately run AMKs that have one significant funding source without monetary support from the maintaining body. The informant regarded the current system to be too municipally oriented. The AMK’s interests would be best served by evoking changes in the Ministry’s control processes, by the Ministry taking more notice of institutional variations and taking these into account.

Allocation of resources: “we still have a very control-oriented system”

The state’s steering was perceived by the informants as being control-oriented. They experienced the need to adapt to the system of national targets that are the starting points throughout the AMK sector. The informants regarded the case study AMK’s role to be different than that stated in the higher education policy documents:

\textsuperscript{18} The case study AMK received more funding than it was entitled to on the basis of its actual student numbers. The extra funds had to be returned.
“When goals are set, we often feel alienated because regional and working life concepts are not familiar starting points for us in our operations. For this reason, we do not always recognise ourselves in national policy documents.” (P1, R)

“A committee established by the Ministry has prepared outlines for AMK research and the informant agreed in principal with the contents of the committee’s recommendations. However, it is the Ministry, not the AMK that defined what in practice is perceived as AMK research and according to informant: “This [Ministry committee work] is clearly discussions opposed to autonomy” (“Tämä on selkeästi autonomian vastaista keskustelu.”) (P1, R). The case study AMK criticised how recommendations on AMK research were made, those who made recommendations about AMK research and how they made them. This was further linked to the types of research to which the AMK can allocate funds.

The project funds, being a small amount of the money provided to meet pre-defined purposes, were a funding mechanism used by the Ministry to control resource allocations. Certain sums of governmental funding were granted for certain purposes specified in the target agreement. According to the case study AMK, project money was an effective tool for directing resources and activities. In addition, the Ministry requires that project funding be used for projects involving other partners. This meant that the institution was not able to develop its own activities by using project funds.

“…if the Ministry wants us to do something, then the money becomes a convenient control mechanism. Even a small amount of money works. You will get 10,000 Euros if you do something this way.” (P1, R)

Outputs and outcomes
The case study AMK saw itself as having limited options for responding to many of the requirements set by the Ministry and laid down in the Polytechnics Act. Therefore, the AMK made an effort to gain support from the Ministry for recognition of its different profile. Discussions and interactive negotiations in the form of face-to-face meetings with the Ministry were seen as basic requirements for the case study AMK for workable autonomy. The AMK achieved acceptance of their different role and achieved a
confidential relationship with the Ministry. However, according to the informant, the actual results are less obvious.

“However, we are able to discuss our goals, our role etc. We get a lot understanding in this way. After the discussions, these are not as apparent as one might have hoped. However, the intentions on the Ministry’s side are also sincere. They like to arrange target negotiations. This type of negotiation is a basic requirement for a workable autonomy… Now the negotiations are token because there is rarely any money on the table.” (P1, R)

“Mutta kuitenkin siinä pystytään tavoitteista keskustelemaan, mikä on meidän rooli tms. Nämä saadaan ymmärrystä hyvin paljon. Se ei ehkä näy näiden keskustelujen jälkeen niin paljon kuin toivoisi. Siinä mielessä pyrkimys on vilpitön, myöskin ministerion näkökulmasta, että halutaan käydä nämä. Mutta kyllähän tämän tyyppinen neuvottelu on perusedellytys toimivalle autonomialle. … Nyt ne ovat siinä mielessä näennäisiä, että rahasta ei ole itse asiassa puhuttu.” (P1, R)

In the target negotiations, the AMK’s performance was openly discussed on the basis of statistical indicators. The Ministry compared the case study AMK’s performance with that of the other AMKs. The AMK emphasised its desire to be honest in its analysis of the results. Maintaining trust between the AMK and the Ministry was highly valued by the informants.

“During the target negotiations the outputs and outcomes are not discussed per se. Rather it has to do with the indicators. Retention rates, numbers of applications etc. are the topics of discussion, and then we discuss why we are one of the worst.” (P1, F)

“Niissä neuvotteluissa niitä ei sillä tavalla keskustella, vaan mittarit. Läpäisyindeksi, hakijamäärä meidän paikkoihin, tämä oisista keskustellaan ja kyllä silloin keskustellaan siitä miten on mittarit, miksi ollaan huonoimmassa päässä.” (P1, F)

The most concrete governmental steering tool related to the AMK’s performance was conceived to be performance-based funding. The objective was to obtain funding; the performance of the AMK was controlled through the funding system and the system worked, even though the amount of money was not great. The informants’ viewpoint was that it is good that the levels of performance funding are not so significant because performance discussions are based in principle about fear on monetary losses and no one likes to lose money.
2) Case study institution P2
Acquisition of resources: “redistribution of resources hard to achieve”
The Ministry was regarded as being strict and immovable in terms of permitted student intake. According to the informant, the allocation of the starting places was a politically complicated decision and the Ministry had no power to change the number of starting places allocated through the state budget. Thus, the Ministry’s hands were tied:

“If we talk about the redistribution of youth or adult starting places, it is truly hard to achieve.” (P2, F)

“Opiskelijapaikkojen uudelleen jakamiseen, puhutaan nyt aikuisten tai nuorten aloituspaikoista, niin kyllä ne on kiven alla.” (P2, F)

The informant described the very long process required to get starting places for a new degree programme. It required several meetings over a four-year period with the Ministry: “Thus, it is a matter of wearing them down and justifying the same matter over and over again” pointed out the informant (“Eli se on tämmöistä tavallaan väsyttämistä ja moneen kertaan perustelemista.”) (P2, F).

The main factor for sustaining income level, according to the informants, was to retain a certain number of students. Because the unit price funding system had elements that cause financial problems – in particular absent registered students - the AMK exercised intensive and continuous student number monitoring and made predictions for enrolments in order to manage cash flows19.

“The basic funding is attendance funding. And now that unfortunate law reform has come along. This is to say that students may be registered as absent for a period of up to two years. It causes a situation where we are not able to stabilise student number flows as we would wish to. If a student is not registered as ‘present’ and there is nobody in her/his place the money disappears as well. Thus, the funding will fluctuate quite radically. It is a big problem. We have been able to manage with this by being pessimistic with the numbers and in terms of many other matters. We have made careful analyses and considered and tried to manage the problem.”(P2, R)


19. This was the case during the collection of data to this research. The Polytechnics Act (351/2003) now requires that the students register as being present or absent each academic year in the manner determined by the AMK.
“I would be ready to give up a few per cent if it were easy to do so. Every month we are on tenterhooks…after this [interview] I am going to check on the number of drop outs …We have to react before autumn, because it is pointless to react on 20th September when the operations are up and running and when you are not able to stop the train. It will run until next spring.” (P2, F)

“Olisin valmis luopumaan parista prosentista jos olisi helpompi tehdä. Sitä ollaan kuin tulisilla hiilillä joka kuukausi…tämän jälkeen menen katsomaan minkä verran on eronneita 20.1. jälkeen, katsotaan, että olilaanko sillä trendillä. Koko ajan hyppysissä…Reagoidaan ennen kuin, siis meidän on turha reagoida enää 20.9 syksyllä, koska silloin toiminta pyörii, me ei saada millään junaa pysähtymään. Ja se pyörii seuraavan vuoden keväaseen saakka.” (P2, F)

It was possible to acquire project funding when an AMK can introduce a good and carefully justified project proposal to the Ministry. However, the process was laborious. The current project funding sums were regarded as being minimal. The main idea in projects was to introduce something new with the blessing of the Ministry.

The case study institution had problems in funding the investments because the state subsidy system does not finance investments in the rental facilities owned by the shareholders. The situation was resolved by borrowing money for the investments from the main shareholder.

Allocations of resources
According to the informants, allocations of the resources were decided by the company.

Outputs and outcomes: the monitoring system as a field for competition
The informant perceived the indicators collected by the Ministry and the AMKOTA tools as a field for competition for the AMK institutions. Indicators were also regarded as being tools for a detailed comparison of the AMKs and thus steering tools available to the Ministry. The informant pointed out that they were able to show excellent attractiveness to students, low drop-out rates and successful projects. These were also tools for the AMK to demonstrate and assess their market attractiveness. Separate marketing to attract new students was not needed.
“We compete for who has the best implemented projects from the evaluators’ point of view, who has the biggest number of applications, who has the fewest drop-outs, that is student attractiveness and retention rate. We compete with these.” (P2, F)

“Me kilpaillaan sillä kenellä on arvioitsijoiden näkökulmasta katsottuna parhaiten toteutetut projektit, kenellä on eniten hakijoita, kenellä on vähiten keskeyttäneitä eli tämä vetovoimaisuus, tutkintojen läpivirtaus. Me kilpaillaan näillä.” (P2, F)

“… and information goes through the grapevine…all marketing efforts are pointless. It is those student numbers, they tell where it is good to study.” (P2, F)

“… ja puskaradio tiedottaa… meidän on turha edes yrittää markkinoida. Se on tuon opiskelijaväylän, se kertoo missä on hyvä olla.” (P2, F)

The company used the target negotiations with the Ministry to implement structural reforms within the organisation of the AMK institution. Thus, the same planning period was utilised by the company. Certain matters were integrated into the target negotiation documents – matters that were not required by the Ministry:

“Certain matters will change in 2006 when temporary employment agreements cease. We decided that it is a good point to tighten up and consider what one has to do. And we made certain structural reforms related to operations. In a certain sense, some structural levels were abolished and a more direct model was introduced. Likewise, operating units were given more responsibility than earlier. Certain structures were combined that were separate earlier. This is partly related to facilities, certain activities were relocated… The timing of the reform fits with the three year period of the target agreement. When the target period expires, we will finish certain matters here at the same time. We wanted to tell to the Ministry this, that we do things like this. The Ministry does not intervene. However, the Ministry like to hear now and then how the AMKs are improving their activities internally.” (P2, R)

“Meilläkin jotkut asiat 2006 muuttuivat määräaikaisten tehtäväsoimusten päätyessä. Päätettiin, että nyt on hyvä kohta skarpata sitä, katsoa mitä nyt on tehtävä ja tuossa yhteydessä me tehtiin muutamia sellaisia uudistuksia, jotka liittyivät toimintaan. Tavallaan tiettyjä väliportaita poistui, mentiin vähän suurempaan malliin. Vastaavasti koulutusyksiköille tuli vähän enemmän vastuuta kuin aikaisemmin. Tiettyjä asioita yhdistettiin jotka aikaisemmin olivat osittain liittymättömiä, johdon mukaan mahtumaan muitakin toimintoja kuin alun perin. Tämän tyyppinen aika laaja muutos joka kuitenkin on sen linjainen kuin alun perin on todettu. Tarkoitus on nyt sitten arvioida miten se toimii. Se satuu aika lailla läheinä sitä kohtaa kun tuo tavoitesopimuksen kolmen vuoden kausi päättyy, niin tulee se taite jolloin meillä taas taituu tietyt asiat. Velvoittaa meitä ja me haluamme kertoa tämä ministeriölle, näin me toimitaan. Eihän
3) Case study institution M1

Acquisition of resources: “Where except from the Ministry can we obtain basic resources?”

The informant emphasised the importance of stability in the financial resource flows in financial autonomy. The education process was long and complex before the product is produced. However, the AMK was an organisation that may not operate as a corporation. The Ministry was regarded as being the important main resource provider for the AMK and the body that regulates the input resources of the AMK:

“The most important thing is that the Ministry directly regulates through the operating licences and the degree programme decisions on what education is organised and in which locations. That is, the Ministry grants the starting places directly and this determines the volume. Then the Ministry allocates the starting places for adult education on an annual basis. So, in this sense the regulation is very strong.” (M2, R)

“Kaikista tärkeinhän on se, että opetusministeriö säätée suoraan toimiluvilla ja koulu-
tusohjelmapäätöksillä sitä, minkälaista koulutusta missäkin paikkakunnalla annetaan. Se säätée myös sitä volyymia, jolla sitä koulutusta annetaan. Eli se antaa suoraan aloi-
tuspaikat, joka kertoo volyymin. Sitten se antaa aikuiskoulutuspaikat vuosipaikkoina. Eli se sääteyhän on siinä mielessä hyvin vahva.” (M2, R)

In financial planning the unit price funding, the relation between the proportion of the extra student intake and the retention rate had to be balanced:

“The situation is that what is significant is the relation between the extra student intake and the drop-out rate. If the drop-out rate is 8 per cent, the extra student intake should be the same, 8 per cent, and graduation should occur within the prescribed time. Then it is an optimal situation. The rector has to ensure that there are enough applications and that there are enough registered students that it compensate the attrition and that the volume is fully utilised.” (M2, R)

“Tilannehan on sellainen; se on ylitäytön ja keskeyttäneiden välisen suhdeman siinä ratkaisee. Eli jos keskeyttämisaste on 8 % niin ylitäyttö pitäisi olla 8 % ja valmistumisen pitäisi olla määräajassa. Silloin on optimitilanne. Pitää rehtorina seurata, että on riittävästi hakijoita ja niin paljon hakijoita tai sisällä niin paljon, että se korvaa sen poistuman että on volyymi täynnä.” (M2, R)
Allocation of resources: no involvement in the processes
The Ministry did not involve itself in the processes or the content of the education provided by the AMK. The informant pointed out that there was a clear sign that the autonomy of AMKs has strengthened in this sense. However, the monitoring by the Ministry was strict and intensive.

Outputs and outcomes: intensive monitoring of efficiency
The Ministry collected data and followed the performance and efficiency of the AMK intensively. The Ministry rewarded those AMKs that demonstrated excellent performance and were efficient. According to the informant, the reward sums were regarded as being quite high but not high enough to control the functions of the AMK.

4) Case study institution M2
Acquisition of resources: “the Ministry holds the reins”
The Ministry was regarded as the legitimate national decision-making authority, power holder and efficient steering body. The resources under the Ministry were starting places, study fields, and total enrolments in youth and adult education. The Ministry also had the power to restrict the supply of the education offered.

“The Ministry has the power and the Ministry makes decisions on our starting places per study field and it is a noteworthy matter. The AMKs are allowed to deviate from the decision by only one group of students. Deciding on starting places, adult education and total student numbers is very efficient steering.” (M2, R)

“Mutta kyllä mä näen että ministeriöllä on langat käsissä ja se päätää meidän kouluusalahtaisista aloituspaikoista ja sehän on hirveän iso asia. Ammattikorkeakoulut saattaa yhden paikan verran poiketa niistä esityksistä. Se aloituspaikoista päätäminen, aikuiskoulutus- ja kokonaisopiskelijamääräistä päätäminen, se on hyvin tehokasta ohjausta.” (M2, R)

“Now there are discussions to cut education in the cultural fields…and cheese paring cuts are not going to be used. Rather the cuts will take place in some units in which the education will be decreased or possibly it could be stopped completely. These are tough decisions, and it is the Ministry’s view. The Ministry has the central power to state where the cuts will take place.” (M2, R)

“Ja esim. nyt kulttuurialan koulutuksen suhteen on tulossa … siitä on keskusteltu, että juustohöylää ei käytetä vaan joissakin yksiköissä vähennetään kulttuurialakoulutusta, kenties lopetetaan kokonaan. Nämä on niitä kipeitä ratkaisuja. Se on todella. Se ministeriön valta on se keskeinen ja ministeriön näkemys, mistä se lähtee.” (M2, R)
The Ministry was able to use penalties if more students than the target number were allowed to enrol.

“The extra student intake is concrete. You are penalised for it and I think that we have no goals regarding how many complete their degrees. In the new funding system, degrees completed will be part of the funding system.” (M2, R)

“Se ylitäyttö on hyvin konkreettinen. Siitä rangaistaan ja epäilisin että se tulee kehitettyään se prosessi sillä tavalla, että tällä hetkellä meillä ei ole tavoitteita siihin kuinka paljon valmistuu. Mä luulen että se tulee olemaan seuraavissa, jos se tulee rahoituksen puoleen.” (M2, R)

Because unit price funding was tied to student numbers, drop-outs were a significant problem for the institution. Student attraction to the AMK was low and the drop-out rates were high both in youth and adult degree education, pointed out the informant. If a student leaves the institution, the funds also disappear. In addition, the AMK suffers financial problems if students delay their graduation or use their two-year right to register absent and be away from their studies. One solution was to organise an extra student intake to fill vacant student places. There was also a policy to provide education that attracts students from outside the region in which the AMK is located.

“When study places are available in a neighbouring city, students like to return there. It is a big problem here. They interrupt their studies here and move to the city. And they take the money with them. It is a critical factor from the point of view of funding.” (M2, F)


**Allocation of resources**
With respect to resource allocations, the manner in which the local authority sought to exercise financial control dominated the interviews.

**Outputs and outcomes: revealing the performance of the AMK**
The Ministry monitored and measured the operations of the institution, its regional impact, research and development work, student graduation rates and performance in all study fields. The monitoring was not financially oriented. Instead, it was based on performance indicators.
The Ministry’s monitoring was effective and revealed the ways in which the AMK was successful. The AMK’s own conception of its success in performance changed when the AMK’s representatives considered indicators in the target meeting with the Ministry. The meeting revealed poor performance against the indicators, and this led to an investigation by the AMK of the reasons for this. Thus, in this sense the target meeting provided an opportunity to learn about the AMK’s processes.

5) Case study institution M3
Acquisition of resources: the importance of the state budget
The Ministry's actions were closely linked to the state budget and the Ministry was only able to work within the boundaries of the state budget. Within certain very restricted limits the Ministry was able to adjust the number of starting places and study fields of education.

Application of the unit price funding model encouraged the AMK to increase its enrolments. The AMK has taken advantage of the option to obtain additional funding in this way. The funding system allowed the AMK to increase its student intake and get extra funds:

“…so in a way we have got funding from all of the students although there has been unreasonable extra intake, for example, over 5 per cent”. (M3, F)

“…niin tavallaan niistä opiskelijoista on saanut rahoituksen vaikka se ylitäytö olisi ollut kohtuutontakin, vaikka yli 5 %”. (M3, F)

Research and development activities have been added to the tasks the AMK is required to perform, but according to the informant, no additional resources were available for it.

“In the legislation there are new tasks for the AMKs - research and development work. However, there are actually no resources allocated for this. The Ministry of Education has project funding that supported the starting phase, but it in no way corresponds to the needs and what the challenges are…” (M3, R)

“Kun lainsäädännössä on tullut uusia tehtäviä ammattikorkeakoululle eli on tämä tutkimus- ja kehitys työ, niin ei siihen ole osoitettu oikeastaan mitään. Eli opetusministeriöllä on tietysti tällaista erillisrahoitusta, jolla ehkä on saatavat jollakin tavoin käynnistysvaihetta vietyä eteenpäin. Mutta se ei vastaa alkuunkaan niihin tarpeisiin kuin mitkä haasteet on…” (M3, R)
Allocation of resources: pre-defined in the local maintaining agreement
The financial resource allocations were made according to the local maintaining agreement.

Outputs and outcomes: local and regional driven accountability
The informant emphasised the AMK’s responsibility to demonstrate accountability towards the tax payers, the students and the maintaining body but not to the Ministry.

6) Case study institution M4
Acquisition of resources: a student number driven funding system
The informant pointed out that the legislation allowed for students to be registered as absent. According to the Polytechnics Act (351/2003, Section 24) students have the right to be absent for a maximum of two year period (four semesters) without notifying the AMK of any reason. In practice, this leads to expensive cost structures in teaching. This meant that the AMK had to be able to forecast student numbers very accurately. Otherwise, they receive additional unit price funding from the state and these extra funds have to be returned if actual student numbers are lower than the numbers specified in the budget. The informant pointed out that the cost structure was the same irrespective of the number of students enrolled. The absence of students had an impact on teaching groups in a range of study fields throughout the institution.

Negotiation on the number of student places with the Ministry was all but non-existent. Only in new projects can there be negotiation, but, according to the informant, the effect was minimal in terms of the additional funding that might be provided.

Allocation of resources and outputs and outcomes: implementation of the Ministry’s policies and information on the maintaining body
The AMK directed resources to developing teaching and other activities. In order to motivate the AMK, the Ministry exercised positive reinforcement in the form of positive feedback when the outputs and outcomes were achieved. The Ministry’s policy was well accepted by the informant.

For case study AMK M4, the target agreement and target negotiation meeting with the Ministry represented a discussion in which the maintaining body was informed of the Ministry’s policy. In this way, the maintaining body was committed to the target agreement. This gave the AMK options for implementing the target agreement. Otherwise, the nature of the meeting with the Ministry was seen as an evaluation and improvement discussion rather than a negotiation about targets.

Measuring the performance of the AMK led to the situation in which the matters being measured are regarded as being the most important:
“Certain matters are measured. So, if one knows what matters are to be measured, these matters are important and naturally the focus of the attention.” (M4, R)

“Tiettyjä asioita mitataan. Niin se, jos tiedetään mitä mitataan, niin kyllä se kiinnittää huomiota niihin tärkeisiin asioihin” (M4, R)

7.5.2 Interaction between the case study institutions and the maintaining bodies

1) Case study institution P1
Acquisition of resources: participative foundation
With the support of the individual members of the foundation council, the AMK has succeeded in attracting additional monetary resources. Members of the council represented different backgrounds and with their support new co-operative projects have been introduced. The informant pointed out that the council was a “really important channel” because it spread information about what the AMK institution is. Also, the foundation board set goals for itself to attract additional funding to the AMK. In this way, the board aimed to develop the institution’s activities in line with the foundation’s purposes.

Allocation of resources: no intervention
The foundation board did not involve itself with how the AMK allocates funds to its operating units. The budget was history-based and it is a line-item budget prepared centrally by the maintaining body. The AMK’s internal resource allocations within the approved budget were in the hands of the institution. Control over income and expenditure flows and cash flows took place through budgetary reporting and monitoring, by making financial forecasts and through financial regulations set by the foundation. The rector was responsible for monitoring staff costs. The institution presented budgetary reports to the foundation board three times per financial year and financial forecasts monthly. Interim financial statements were prepared twice per financial year.

Outputs and outcomes: driving the aims of the foundation
The case study AMK faced divergent accountability demands. First, the AMK was responsible for implementing the purpose of the foundation and the AMK emphasised its commitment to this task. Second, it had responsibilities to the Ministry in the name of performance and public accountability.

The interests of the case study institution and its maintaining body were best served by presenting its profile as a modern, elite higher education institution, and not so much as a regional actor as required in the AMK legislation. The AMK’s role is
more as a “source of influence in society” than as a promoter of regional development, the informant pointed out.

The foundation was a strategic steering body. It had strong and clear views on what kind of a higher education institution it would like to have, and what it promoted: “The direction has been clear and the movement in that direction has been clear all the time.” (“Suunta on ollut selvä ja liike on ollut selvä koko ajan.”) (P1, R) The institution had freedom to implement strategies: “It allows the AMK institution to implement the strategy” (“Se antaa tämän ammattikorkeakoulun toteuttaa tätä strategiaa.”) (P1, R).

2) Case study institution P2
Acquisition of resources: managing cost factors to avoid extra financial burden
The basic financial status of the AMK-company was based on adequate capital stock, appropriate structure and size of staff and facilities:

“This is related to the overall financial capacity. It is important to ensure that they [cost factors] are at the right level from the beginning. You are in trouble if you find extra burden after some years.” (P2, R)

“Liittyy taloudelliseen kantokykyyn mutta on tärkeää, että se on siinä alkuvaiheessa kohdillaan. Jos vuosien päästä havaitaan, että ollaan ylikuormassa niin vaikeata on.” (P2, R)

The size and structure of the staff were seen as the main production and cost factors. The AMK-company has been allowed to define the size of its staff. It was the authorisation from “the mouth of the chief city manager” of the main shareholder (P2, R).

The shareholders required the AMK-company to be able to manage on the current capital stock without extra contributions from the shareholders. The shareholders were not supposed to be a background source of funds, the informant pointed out. The company introduced a strict financial management system and fostered a corporate culture in order to establish a system that is as cost-efficient as possible20.

Allocation of resources: “The Company makes major resource allocations.”
The company made decisions as to how to use its resources – the number of starting places, and research and development work and budget surpluses - the informant pointed out. The target agreement with the Ministry was a background document for resource allocations. The company had the authority – like the other AMKs (defined in target agreements) - to deviate from the target agreement to the extent of one or two

20. A strong management team capable of providing leadership supported the company culture. The senior management – shared between the company and the AMK - has clear responsibility, status, authority and real decision-making power. The same senior management prepared financial matters for presentation to the company board and to the AMK board.
groups of students\textsuperscript{21} per field of study but within the limit of total number of starting places. The AMK can change the number of starting places between different study fields within the aforementioned limits.

The major interest of the main shareholder and other shareholders was how the company allocates starting places between the operating units that are geographically located in different regions and localities. There were situations in which the main shareholder is the opinion leader and in these cases, “we do not fall into the situation in which we will test the opinion of each actor. Because they see that it is worthwhile to go hand in hand…” (“Ei joudutakaan siihen tilanteeseen että lähdettäisiin katsomaan mitä mieltä kukin on. Koska ne näkevät, että kuitenkin yhtä jalkaa kannattaa kulkea..”) (P2, R). However, the informant emphasised that the main shareholder also understands that there would be no regional centre without a surrounding region.

The basic principle in the shareholder agreement did not permit the continuation of loss-making activities. When the company board considered that a certain type of education was strategically important, the company allocated resources to those areas. The shareholder agreement required that regional equality and fairness be observed in the operations of the company and in the development of the institution. This was one major way in which the shareholders tried to influence the company’s resource allocations. However, according to the informant, the shareholder agreement does not impede minor changes.

The company has established its own budgeting model in which the functions and costs of the operating units are the basis for budgeting and for allocations rather than per student funds or historically-based funding, i.e. input budgeting. The budgeting took place according to a top down model. There were internal performance negotiations between the company and the operating units within the operating and financial frames set up by the company. In this way, the company set a ceiling for budget requests.

The basic principle applied in resource allocations is the amount of money necessary for the survival of the operating units.

“We are not in the so-called taxing system in which each unit gets a number of students multiplied by a unit price, and then agrees to pay a half per cent to the central administration and then cries about it. Our starting point is that the overall finances of the Company are decisive. Before the allocations to the units one allocates funds for the common investments, common administration and common activities. It is more efficient this way and more responsible. And indeed our model is cost-efficient.” (P2, R)

“Ei menty tähän ns. verotusmalliin, jossa jokainen yksikkö saa opiskelijamäärälläan kerrottuna yksikköhintansa ja sitten suostuu maksamaan puoli prosenttiyksikköä ns. hallinnolle ja itkee sitten siitä. Meillä lähdeettiin siitä, että yhtiön kokonaistalous ratkaisee,

\textsuperscript{21} One group is taken to be 20 students according to the informant (P2,F). In practice, the size of a group varies between study fields.
The company allocated financial resources directly to the operating units and not at the institutional level. The maintainer applied the net budgeting system at the operating unit level. Budget surpluses were used by the central administration of the company to cover investment costs, loan costs and interest. Decisions on surpluses of the R & D and service department were decided on by the AMK board.

Outputs and outcomes: consulting the shareholders

Regarding shareholder steering and the performance of the AMK – in education, research and development and regional impacts – the informant emphasised making independent decisions but on the principle of consultation and partnership:

“Of course it is important that we can...related to our functions, education, research and development and regional impacts…that we are independent and that we have our own decision-making. We consult others that we regard as important but we have the responsibility for what we do. It is problematic if you are an actor in the higher education system and there are strict national frames or someone comes and says what you have to do. It is the educator itself that has to have its own viewpoint on how things are…and we can’t form a viewpoint by consulting some individual actor. We have to consult quite a large number of actors.” (P2, R)

“The informant also emphasised that frameworks have to be sufficiently flexible and although the company and the AMK consult each other, they are selective about what they hear because they have to listen to a number of actors.

The financial role of the shareholders’ meeting was to ensure that there are no financial troubles. The actual follow-up took place in the company board. The company board received reports at each meeting, on the current financial status of the AMK. As
was pointed out earlier, one historical reason for having intensive budget monitoring was that the pre-merger institutions that now formed the basic units of the case study institution had a variety of financial practices.

3) Case study institution M1

**Acquisition of resources**

The budget was the main link between the AMK and the local authority. The budget formed the basic framework in which the AMK operated and the AMK was also able to borrow money. The budget preparation process involved conducting negotiations with the maintainer's budget officials and the institution had to thoroughly prepare and justify its budget requests:

“When we go to the budget negotiations, we have to be prepared and know what we propose. Moreover, we have to justify our requests with the calculations. There is a professional, the financial director, who knows what the numbers mean.” (M1, F).

“Kun me mennään neuvotteluun, niin meidän pitää tietää mihin ne [talousarvioesitysluvut] perustuu. Ja meillä pitää olla laskelmat mukana osoittamassa. Siellä on ammattilainen, talousjohtaja, kyllä hän tietää mitä luvut tarkoittavat.” (M1, F).

According to the interviews the maintaining body allowed more freedom in the budget frames for the AMK institution compared with the other departments of the local authority. The maintaining body did not cut the AMK’s appropriations in the same way as the other department's budget appropriations. The financial management of the maintaining body understood the nature of the AMK’s activities and was acquainted with the AMK’s finance from the beginning.

The maintaining body supported the AMK in contributing it own funding for project funding and granted a wide authority for the rector to implement projects. However, the situation was changing and “currently, the maintaining body makes choices whether to grant project funding to us … or to some other actors” said the informant (M1, R).

The AMK actively sought additional financial resources. The particular way for the AMK was to influence the local authority’s policy in allocating its special development funds. The AMK made efforts to influence how and to whom the maintaining body allocates its resources. The aim was to influence the maintaining body by focusing on efficient and feasible projects and that the actors co-operate in the region.

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22. The board of management is the body authorised to borrow money for the use of the AMK.
“…the maintaining body throws money about to several organisations. Our interest is that those other organisations would be as workable / active and efficient as possible and that there would be sufficient development funds for us as well. It is useless to battle with several organisations. How to manage with it? You have to make a strategy or manage the preparation of business strategy in which the city manager, business manager, management group, business people etc. are included. This is the way to influence others.” (M1, R).

“Ylläpitäjä syyttää rahaa useille eri organisaatioille. Ammattikorkeakoulun intressinä on se, että ne olisi mahdollisimman toimivia ja tehokkaita, jotta kehittämisrahaa riittäisi meille. Meidän on turha taistella useiden organisaatioiden kanssa kehittämisrahoista. Miten vaikutat siihen? Teet sellaisen strategian tai olet vetämässä elinkeinostrategiaa, jossa on kaupungin johtaja, elinkeinojohtaja, johtoryhmä, yrittäjät jne. Silloinhan saa vietyä niitä asioita.” (M1, R)

Allocation of resources

After the approval of the budget, the case study AMK emphasised having freedom in the use of its resources. “We have financial autonomy; there is no problem in terms of the use of money” (“Taloudellinen autonomiahan meillä on, ihan rahan käytön suhteen siinä ei ole ongelmaa.” (M1, F). The internal regulations conformed the institution’s extensive authority in terms of resources. The approved budget was executed by the AMK. Possible significant departures were reported monthly to the maintaining body:

“We implement our activities within the budget framework as we see fit. If there are significant deviations, we report to the maintaining body every month. But it is only a report, we need not ask any permission.” (M1, F)

“Theysarvon puitteissa me sitten toteutetaan sitä niin kuin hyväksyi havaitaan. Jos siellä sellaisia merkittäviä eroja on, niin nehän me raportoidaan joka kuukausi ylläpitäjälle, mutta sehän on vaan raportti, ei meidän tarvitse lupaa kysyä saako tehdä.” (M1, F)

The AMK also endeavoured to influence other organisations in order to realise the vision of the AMK institution. The AMK initiated and participated in the strategy processes in those organisations that are significant in implementation the institution’s vision.

“You have to get those critical organisations that influence your life to do those things that move towards your vision. What should you then do? You have to initiate the kinds of strategy processes that carry out the things here. They have their own activities but also the types of thing that influence us or we can do things together. That is, we make
quite a lot strategy processes. At the moment we are preparing the business strategy for the maintaining body.” (M1, R)

“On saatava ne kriittiset organisaatit, jotka vaikuttavat sun elämään tekemään niitä asioita jotka vie tähän vision suuntaan. Mitä silloin teet? Sun pitää käynnistää sellaisia strategiaprosesseja, jotka toteuttaa niitä asioita täällä, hehän tekee omaa toimintaansa mutta he toteuttaa sellaisia asioita, jotka tekee nuo tai sitten me tehdään yhteisöä asioita. Eli tehdään aika paljon strategiaprosesseja. Tälläkin hetkellä ylläpitäjän elinkeinostrategiaa tehdään.” (M1, R)

Outputs and outcomes
The target agreement was the main agreement to which the case study institution M1 was fully committed. The maintaining body was also committed to the agreement, as the informant pointed out:

“The target agreement is our central agreement and so it is. It has a that kind of sense in our house, that everybody takes it in the same way… it is set up for the Ministry” (M1, F)

“Tätä tavoitesopimusta me pidetään meidän keskeisenä sopimuksena ja sitä se onkin. Se on sellaisen hengen saanut meidän talossakin, että kaikki siihen suhtautuu samalla tavalla…ministeriölle asetettua.” (M1,F)

“The maintaining body has also clearly accepted the agreement with the Ministry and without a murmur. This is not the case in all AMKs.” (M1, F)

“Ylläpitäjä on selkeästi hyväksynyt tämän ministeriön kanssa tehdyyn tavoitesopimuksen mukisematta. Sekään ei ole kaikissa paikoissa.” (M1, F)

The case study AMK was faced with huge demands from the region. The institution was the actor to bolster and facilitate the development of business and the commercial world and to respond to business and commercial demands. The AMK aimed to resist other types of political pressure that were outside the scope of its operations. The AMK aimed to decide itself when it should react.

4) Case study institution M2
Acquisition and allocation of resources: micromanagement by maintainers
The conditions for acquiring resources for the case study institution were first that the AMK had to earn its existence in the region. The AMK’s importance in the region and
its recognised status were not easy to achieve because there was not such a large number of staff and students. The region where the AMK was located was not very attractive to students and the informant claimed that for this reason, the AMK’s right to exist had to be justified all the time. Low numbers of students also implied low revenues for the maintaining body.

Staffing, locations at which education was provided and investments were critical issues relating to resources in the local steering. The AMK did not have the authority to allocate staff resources to either teaching or non-teaching staff or to other activities. The highest authority - the joint council – was authorised to establish new positions. The AMK was preparing a proposal for new internal regulations in which the AMK would have the authority to establish teaching positions. More authority was sought by making adjustments to the current regulations, introducing new practices and trying to make them official.

“The charter stipulates that establishment of new positions is the responsibility of the council. I think that this is not going to change. Our proposal was that within the budget framework, the institution would have the authority to establish new teaching positions. The discussions seem to show that this will not go ahead. This authority surely will remain with the maintaining body. The important thing is that the AMK could fill the new positions independently and agree on salaries etc. Earlier the council filled the important AMK vacancies like study field directors. Last autumn, we started to follow the new system in the AMK... it remains to be seen if it will be formalised in the new regulations.” (M2, R)

“Nythän meillä on, kun ollaan keskusteltu, perussopimuksessa on että virkojen perustaminen on yhtymävaltuuston tehtävä. Kyllä luulen, että siihen ei tule muutoksia. Kyllä meillä esityksenä oli, että ammattikorkeakoulun talousarvioon liittyen perustaa opetuspuolen virat, mutta kyllä keskustelu on sellaista, että se varmasti menee ylläpitäjälle. Mutta, mikä on tärkeää olisi, että ammattikorkeakoululla olisi oikeus täyttää ne virat itsenäisesti ja sopia myös palkoista jne.. Aiemmin yhtymävaltuusto täytti esimerkiksi ammattikorkeakoulun sisäisesti tärkeät virat muunmuassa toimialajohtajat. Viime syksynä me otettin jo se käytäntö että ammattikorkeakoulupuolella …. Nähtävästi se menee läpi, virallistetaan näissä uusissa säännöissä.” (M2, R)

The maintaining body passed on the AMK’s unit price funding directly to the AMK institution without any skimming. There was an unwritten rule that neither of the parties would touch the other’s money, so the AMK institution had to survive with unit-price funding without extra support from the maintaining body. The maintaining body treated the AMK and the vocational institute equally. Thus the nature of the AMK as a higher education institution with a different mission did not lead to different treatment by the maintaining body.

Vuokko Kohtamäki
Outputs and outcomes
The maintaining body particularly demanded financial accountability, pointed out the informant. The orientation was value for money. “I feel that the focus is significantly on monetary goals and that we will achieve the set goals and that’s it. It is enough”, (“Tuntuu että se näkökulma on hyvin vahvasti siinä, että taloudellisesti saavutetaan ne tavoitteet mitkä on asetettu ja piste. Se riittää.”) (M2, R). This took place by setting the goals in the budget—both verbal and indicators. The budget emphasised that the basis for operating income has to be organised and that operational expenses have to be under control.

The AMK made an effort to emphasise both operating and financial accountability. The rector was responsible for reporting to the maintaining body on the achievement of goals. The new budget was prepared in a way that also took operational accountability into account. The AMK introduced and applied more strategy than money driven ways to manage their activities.

The AMK aimed to work as a partner with the region and to strengthen its effectiveness in the region. Regional development was also a critical issue that both of the member local authorities demanded from the AMK institution. The status of the region and the status of the AMK were inter-related.

“Our fate is that if the region does not perform well it is the same in the AMK. If the AMK performs well, one could think that this will be somehow reflected in the region as well. It is not our headache only what we are doing, the region is involved in it.” (M2, R)

“Meidän kohtalo on, että jos alueella menee huonosti, niin ei ammattikorkeakouluullakaan voi mennä hyvin. Jos ammattikorkeakoulullaka menee hyvin, niin voisi ajatella, että se sãteilee jotain alueellekin. Se mitã me tehdään ei ole yksinomaan meidän päãnsärky, alue on siinä työssä mukana.” (M2, R)

5) Case study institution M3
Acquisition of resources
The financial frames agreed by the maintainer—both in terms of content and timetable—were applied throughout the administrative departments of the local authority and the AMK was treated in the same manner as other departments.

According to the maintaining agreement, which was decisive for the financial autonomy of case study institution M3, the maintaining body was responsible for indicating the total amount of unit price funds to be provided to the AMK’s operating units in the budget:
“The money comes directly but through the maintainer’s accounts. However, there is an agreement that the money is not skimmed.” (M3, R)

“Meillä tulee raha suoraan, kassan kautta kyllä kiertää. On sovittu, että se ei jää min-nekään.” (M3, R)

When the maintaining body retained and took care of cash management, it meant that there were no liquidity problems and no need for the AMK to resort to short-term loans internally: “There is the city from which money flows all the time. There is liquidity, one need not plan it here at all.” (“On sitten kaupunki, jonka rahahana on jatkuvasti auki. Maksuvalmius, ei tarvitse suunnitella.”) (M3, F).

The AMK had an AMK fund as specified in the local maintaining agreement. This was a reserve fund and an additional liquidity cushion for the AMK. The funds were used to cover the budget losses of the operating units and to fund investments.

The AMK was dependent on the will of the maintaining body when it came to investments (in real estate, for example). The informant pointed out the following:

“However, it is the case that we also beg from the maintaining body when it comes to investments and then we are cap in hand, so the autonomy is quite thin in this sense.” (M3, F)

“Mutta kyllä se sillä tavalla on, että mekin kuitenkin investoinneista kaupungilta anotaan jotakin niin kyllä se lakki kourassa, että kyllä se autonomia aika ohutta on.” (M3, F)

The maintaining body balanced the powers between the committee and the AMK board as regards the appointment of senior management staff:

“Then the rest of managerial personnel, we have made an interpretation or written it somewhere that it is our unofficial management group and they are our senior management staff. And they are appointed by the committee. Thus, autonomy was not given to the AMK board. Our committee proposed on to the maintaining body its view how new internal regulation should be. There the AMK internal board was authorised to hire other personnel (which was for the maintainer), according to the board, they have been delegated to the internal board. The maintaining body’s decision-makers did not want to go that far the board should appoint senior management personnel. However, who is ‘senior management’ is determined by the committee.” (M3, R)

“Sitten on se muu johto, niin ja me ollaan tietysti määritelty mikä se muu johto on. Me ollaan sillä tavalla se tulkittu tai johonkin kirjattu, että se on tämä epävirallinen johtoryhmä joka on sama kuin johtavassa asemassa olevat virkamiehet, jotka lauta-kunta edelleen ottaa. Että sitä autonomiaa ei annettu sisäiselle hallitukselle. Meidän
lautakunta teki esityksen johtosäännöstä ylläpitäjälle, oman näkemyksensä minkälainen sen johtosäännön pitäisi olla. Siellä oli ammattikorkeakoulun sisäiselle hallitukselle annettu valta ottaa muu henkilöstö, joka on ylläpitäjän, niin nekin on lautakunnan mukaan delegoitu tänne sisäiselle hallitukselle. Ylläpitäjän päättäjät ei halunnutkaan mennä niin pitkälle, vaan siinä tuli sellainen, että lautakunta ottaa johtavassa asemassa olevat virkamiehet. Kuitenkin sillä tavalla, että lautakunta itse määrittelee kertä ovat johtavassa asemassa.” (M3, R)

**Allocation of resources: following the terms of the agreement**

Resource allocations were determined in the local maintaining agreement. The agreement bypassed the level of the institution and determined how the allocations of the unit price funds should be made. The allocations were made to the operating units in accordance with the number of student enrolments, as stated in the agreement. The local agreement restricted the AMK board and the institution because the AMK was not able to make different allocations or consider allocations on the basis of internal needs that might vary from one financial year to the next.

The internal resource allocation model of the AMK was derived from the national unit price funding model. The institution has tried to negotiate adjustments to the agreement, but there was a lack of political will. The informant’s viewpoint was that the existing resource allocation model was not consistent with the spirit of the new Polytechnics Act. More discretion should be delegated to the institution.

“…thus, this is up to a certain extent a restrictive thing that the money goes directly to the units. We are not able to take into account our internal needs in different years in different ways. This is the requirement of the maintaining agreement. In principal this is the agreement between the partners. If our internal board would do it differently, the council could make a decision that it will be done in this way. The power is over there. These are the frameworks for our internal allocations from the AMK board. However, it is not in the spirit of the new Polytechnics Act.” (M3, R)

Outputs and outcomes: implementing strategies of the maintaining body

The maintaining body’s interest was to channel its strategic aims derived from the Local Government Act and the purpose of local authority into the AMK institution. Established processes and mechanisms in the financial steering ensured that there were coordination and cohesion between the AMK and its maintainer. The performance of the AMK should conform to both the policies and strategies approved by the maintaining body.

In its dealings with the maintaining body, the institution emphasised quality, visibility, large student numbers and activities, evidence of active and concrete cooperation, and contributions to local business life and success and high employment rates of the graduates and their employment in the field in which they studied. The informant also highlighted the effects on the local economy – such as increasing the population, increasing the level of state subsidies received by the maintaining body and local private services.

The maintainer has been satisfied with the institution and its achievements. The institution’s accountability covered implementation of the strategies set by the maintaining body and the definition the institution’s own strategy policy in line with the maintaining body’s strategies.

“We implement the strategies and our strategies are perfectly in line with the maintainer’s, and whether the question is about regional strategies. There is no need to commit, rather we are accountable to do the duty we are assigned.” (M3, R)

“Me ollaan niitä [strategioiden] toteuttajia ja meidän strategiat on olleet hyvin linjassa. On sitten kyseessä maakuntien tai seutukuntien strategiat. Niihin ei tarvitse sitouttaa, vaan me tilivelvollisina toteutamme tätä meille annettua tehtävää.” (M3, R)

“…we are accountable to the taxpayers and in a way to the maintaining body. Although the money comes from the state, the maintaining body invests in the buildings, so we…” (M3, R)

“me ollaan veronmaksajille tilivelvollisia ja siinä tavallaan ylläpitäjälle. Vaikka rahoitus tulee valtiolta, niin tietysti kiinteistöihin ja muihin mihin ylläpitäjä satsaa niin ollaan me ylläpitäjän...” (M3, R)

Concerning financial accountability, the informant’s viewpoint was that the AMK institution was accountable to the council of the maintaining body.

“We are responsible for our finances to the maintainer. The maintainer approves the budget and in connection with the budget we propose the actions and goals and for these we are accountable to the council.” (M3, R)
“Me ollaan ylläpitäjälle vastuussa taloudesta. Ylläpitäjä hyväksyy talousarvion ja siinä talousarvion tekemisen yhteydessä me esitetään toimenpiteet mitä me tehdään ja tavoitteita ja niistä me ollaan valtuustolle tilivelvollisia.” (M3, R)

6) Case study institution M4

Acquisition of resources: financial resource framework given by the maintainer

The AMK was tied to the political decision-making of the local authority as regards its financial resource framework. The council approved the budgeting frames as ‘financial guidelines’ for all its administrative departments. That is to say, the local authority set the spending limit for the AMK.

According to the informant, the budgeting system did not easily respond to changing circumstances. The maintaining body did not allow higher cost growth rate for the AMK than is the case in the other spending / administrative units, although the AMK would specify the income level necessary to cover the extra costs. The basic financial requirement of the maintaining body was that the AMK has to manage on unit price funding.

According to the informant, payments through the maintainer were of potential concern for the AMK all the time: “It is just a question of how we get the funding from the maintainer to us in a flexible way.” (“Kyse on vaan siitä miten me saadaan joustavasti tämä rahoitus ylläpitäjältä ammattikorkeakoulun käyttöön.”) (M4, R). All new initiatives had to be negotiated with the financial administrators of the maintaining body.

“When the [maintainer’s] budget is prepared and if the other departments can have a 1-2 per cent increase in their operating expenditures it is not possible that the costs of the AMK will rise more in spite of more state funding. Perhaps it is difficult to understand how the AMK is different in the phase during which the budget is prepared. One has to look first at the development of student numbers and what the possible rise of the unit price is and make plans in this way. However, very often they do not like to hear such arguments. They just put us into the same mould as the other departments.” (M4, R)

“Kun talousarviota laaditaan, jos muilla hallintokunnilla menojen lisäys on luokka 1–2 %:a niin on vaikea nähdä sitä, että ammattikorkeakoulun menot lisääntyvät enemmän, vaikka tulisi valtionosuuksia jostakin syystä enemmän. Eli meitä kohdellaan samalla tavalla kuin muiita hallintokuntia. On ehkä vaikea nähdä sitä ammattikorkeakoulun erilaisuutta nimenomaan siinä vaiheessa, kun sitä talousarviota laaditaan. Ensin pitäisi katsoa nimenomaan sieltä mikä on opiskelijamäärän kehitys ja mikä yksikköinhinnan todennäköinen korotus ja laskea sieltä kautta. Mutta usein ei edes haluta kuunnella sen tyyppisiä perusteluja. Laitetaan sinne samaa muottiin.” (M4, R)
The specified sum for the procurement of goods and services set by the maintainer was too low compared with the levels provided to some other AMKs. New internal regulations authorised the AMK board to decide on the financial limit for procurement within the limits of the budget in the future. Blanket agreements were made by the institution, but the limit for acquisitions regulates the agreements the institution was allowed to enter.

**Allocation of resources: following the budget and balancing the powers**

When, the institution followed the maintainer’s budget discipline (based on specified numbers and targets), there was no reason for intervention by the maintaining body. In this way, the AMK sought certainty in the environment. Political influence was something to which the AMK has to adapt:

“If one keeps within the budget, it truly gives autonomy, too. You have to have efficient processes in order to manage with your budget money.” (M4, R)

“Sekin, että pysytään talousarviossa antaa sitä autonomiaa ihan oikeasti. Pitää olla niin tehokkaat prosessit, että rahat riittävät.” (M4, R)

“Certainly it is clear that the politicians aim to exert influence, including within this organisation. One just has to allow it. We cannot do anything about it.” (M4, R)

“Toki poliitikot pyrkii vaikuttamaan se on selvä, myös tässä organisaatiossa. Mutta se vaan täytyy sallia. Ei me voida sille mitään.” (M4, R)

The maintaining body had the ability to implement the type of financial management policies and orders it prefers. Sometimes, according to the informants, this could mean quite detailed instructions. For the institution, detailed instructions meant bureaucracy and binding the institution’s resources in a way the institution would not prefer. In practice, this meant that decision-making authority was pre-determined and that it belonged to officials of a certain level and the AMK had no options to change it. The location of authority was pre-determined by the maintaining body.

“The internal inspection of the maintaining body exercises control for example that we make purchases from the common providers approved by the maintaining body. Although we would get certain equipment at a lower price for educational institutions, from the control of the maintaining body it follows that we are obliged to use the providers that have agreements with the local authority. This is because of the total benefits for the maintainer. Somehow we support the other smaller administrative units. It is the same
as regards travel agents. They were once put out to competitive bidding but nowadays that has been abolished.” (M4, F)

“This tarkastus ohjaa esim. on tehty kaupungin oman sisäisen tarkastuksen toimesta tarkastuksia, että käytetäänkö me kaupungin kaikkien yhteisesti sopimia hankintapaikoja. Ohjaahan se sitä kautta. Vaikka se ostetaan joku laite ja me saataisi se suoraan oppilaitoshinnalla halvemmassa, mutta ylläpitäjä ohjaaa sen asian niin että meillä on käytettävä sitä hankintapaikkaa minkä ylläpitäjä on sopinut, sen takia että se on se kokonaishyöty ylläpitäjälle. Me tuetaan tavalla pieniä hallintokuntia. Sama juttu, esim. matkatoimisto on kilpailutettu, se on nyt purettu.” (M4, F)

The above shows that the maintaining body balanced internal authorisation levels within the institution.

“It is regulated in detail who should make decisions about international travel. We have a lot of international Erasmus-Socrates student exchanges and we get the funding from external sources. However, there is a system and instructions that it is only the head of administrative department, the rector in our case, who has authority to approve international travel. My opinion is that it does not make sense from the point of view of our case that it is a rector who makes such decisions. But this is how it is. The maintaining body has given instructions and the maintaining body makes decisions on the travel of the rector.” (M4, F)

“Hyvin tarkkaan on säännelty kuka päättää ulkomaanmatkoista. Meillä on tästä kansainvälistä Erasmus-Sokrates koulutusvaihtoa, joista rahoitus tulee muualta. Niin tämä on sellainen kuvio, että ylläpitäjän ohjeistuksen mukaan ainoastaan virastopäällikkö eli rehtori voi antaa määräyksen ulkomaan matkoihin, joka ei minusta meidän toiminnan kannalta ole järkevää. Rehtori tekee tällaisia päätöksiä, allekirjoittelee ja selvittelee onko nämä… Mutta tämä on juuri tätä, että ylläpitäjä on ohjeistanut sen ja rehtorin matkoista päättää ylläpitäjä.” (M4, F)

The staffing policy of the AMK followed the policies of the maintaining body. Previously, departmental managers were employed by the rector. When the new internal regulations were under preparation, the authority was changed so that departmental managers are employed by the AMK board. The rector’s decision-making authority was limited by the maintaining body. The titles of the posts had to conform to other staff titles used by the local authority. The institution was therefore dependent on the owner’s ‘nomenclature policy’ when creating new positions or changing titles of current vacancies.
Interviewee: “Now with the new internal regulation prepared we ended up with the solution that the board of the local authority also appoints the vice-rectors. Then, in this new situation it was considered that when the AMK board is this type of internal board, the education directors are also appointed by the board of the local authority. Earlier it was under the authority of the rector.” (M4, R)

Haastattelu: “Nyt kun uutta johtosääntöä on valmisteltu niin päädyttiin siihen ratkaisuun, että kunnanhallitus valitsee myöskin vararehtorit. Sitten tässä uudessa tilanteessa nähtiin, että kunammattikorkeakoulun hallitus on tämmöinen sisäinen hallitus myös tämä uusi hallitus valitsee koulutusjohtajat ja …. Aikaisemminhan se oli rehtorin päätettävässä oleva asia.” (M4, R)

Interviewer: “Thus, the authority was transferred from the office-holder to a body composed of elected officials. Why did this happen?”

Haastattelija: “Siirtyi nyt sitten viranhaltijalta toimielinpäätökseksi. Miksi siinä sitten tehtiin näin?”

Interviewee: “The arguments were not handled in detail. The maintaining body wanted the final authority. It was considered that the rector has a lot of power and that power will be increased because the rector is the chair of the new AMK board. The situation was balanced in such a way that the rector will not make decisions on all possible things. We have staff autonomy. The maintaining body has delegated us the other staff issues. We are able to create posts and…” (M4, R)

Haastattelu: “Ei sitä kovin paljon käyty yksityiskohtaisesti perusteita läpi. Ylläpitäjä halusi sen viimeisen ratkaisun. Nähtiin, että rehtorilla on aika paljon valtaa joka tulee lisääntymään vielä sillä tavalla, että rehtori on uuden hallituksen puheenjohtaja. Haluttiin tasapainottaa sitä tilannetta ettei rehtori kaikesta mahdollisesta päätä. Meillä on tällainen henkilöstöautonomia eli ylläpitäjä on delegoinut meille henkilöstöasiat muilta osin kokonaan. Toisinaan me voidaan tarvittaessa perustaa vakansseja ja…” (M4, R)

**Outputs and outcomes**

The budget goals and the goals of the financial plan of the AMK were derived from the specified focuses of the strategy of the maintaining body. In order to achieve the goals, the institution applied the Balanced Scorecard system and developed indicators and goals for the indicators. The Balanced Scorecard system was introduced to the AMK by the maintaining body. The goals and indicators specified in the Balanced Scorecard system were a message to the AMK organisation about what is relevant and what is to be measured.
“The Balanced Scorecard was introduced in spring 2002…It is a message to the whole organisation on what is important to do. Thus, certain matters are under measurement and if we know what is under measurement, it leads us to pay attention to these important matters.” (M4, R)

“Sitten keväällä 2002 otettiin BSC käyttöön.. Se on viesti koko organisaatiolle siitä, mikä on tärkeää. Tietty asia mitataan niin se, jos tiedetään mitä mitataan, niin kyllä se kiinnittää huomiota niihin tärkeisiin asioihin.” (M4, R)

7.6 Synthesis of the research findings

The section illustrates the research findings from the interview and document data for the three research questions set for this dissertation. This synthesis can be also be read by reflecting on whether the case study institutions appear and act as subsystems of the state and / or the maintaining bodies; or as independent entities that are in one way or another influenced by the Ministry and by their maintaining bodies (cf. Birnbaum 1988, 183-184; Kogan & Hanney 2000, 22; Kogan & Marton 2000, 89).

7.6.1 The power of the Ministry

The Ministry had power to allow the case study institutions to operate as AMKs. Operating licences conferred, among others, legal rights to operate as higher education institutions, and to engage in teaching, research and development work and to receive permanent public funding on which the finances of the case study institutions were based. The significant power held by the Ministry is the potential it has to withdraw the licence\(^\text{23}\). Thus the Ministry had a powerful influence in allowing an AMK to retain its operating licence. The operating licence contributed to the idea and the conception of AMKs as separate entities. As resource dependence theory assumes regarding the continuity of resources (Pfeffer & Salancik 2003, 145 and 261; Sheppard 1995, 33; Slaughter & Leslie 1997, 70-71; Mora & Vila 2003, 123) the operating licence and the unit price funding were the resources needed to keep the AMK to function in the short and long run.

The relative shares of unit price funding of the operating income funding structures of the case study institutions were as follows:

\(^{23}\) The Council of State is the final decision-making body concerning the operating licences.
TABLE 15. Shares of unit price funding in 2005

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For the case study institutions, high shares of unit price funding meant dependence on a primary source of revenue. The informants did not refer to the amount of unit price funding they received as an important input resource. Instead, they specified the number of starting places per field of study. The funding mechanism is important for higher education institutions (e.g. Albrecht & Ziderman 1992, 9-10; Jongbloed & Vossensteyn 2001, 128-130; Sheehan 1997, 132; Williams 1984, 84). One major element of the funding mechanism is the funding formula. The number of starting places determined the number of students the AMK is allowed to take in.

### 7.6.2 Control of input resource and performance by the Ministry

The Ministry as a resource provider had resources at its disposal and was therefore able to exert control over and influence the case study institutions (cf. Pfeffer & Salancik 2003, 47-49). It had a prominent role in the target negotiation process. The target agreements were tools to commit the institutions to the national higher education policy goals and to the institution-specific development goals. The Ministry controlled the acquisition of resources by setting the limits for the annual student intake (starting places) per field of study. In the event of extra student intake, the Ministry cut the project funding of the AMK in question. The student intake per field of study defined in the target agreements was an important element for the total amount of operating revenue.

“Now we all pull in as many students as we dare, the approximate student intake rate was about 107 per cent and someone took over 20 per cent extra. Now one cannot afford to do it. There are certain specific consequences…” (P2, F)

“Kun nyt hän toimittaa sillain, että kaikki vetää sisään – sen verran kun uskaltaa, keskiarvo on sellainen 107 %:ia ylitäyttöä ja kun römelsi yli 20 %:ia ylitäyttöä, niin nyt ei enää uskalla. Siitä seuraa omia asioitaan…” (P2, F)

“It was a huge surprise last year when they cut the project funds; they did not just threaten. It is quite a heavy weapon. (P1, F) In a sense the licence could end up on the black list and it is not good as regards reputation.” (P1, R)
“Kyllä varmaan oli aikamoinen yllätys viime vuonna, että nyt todella on ettei se [hankeronhautuksen epääminen] jäänyt uhkailuasteelle. (P1, F) Kyllä se kuitenkin on aika järeä ase. Tavallaan tämä lisenssihän joutuu mustalle listalle… se ei ole maineen kannalta hyvä.” (P1, R)

The Ministry demanded performance in return for the operating licence and the unit price funding. According to Pfeffer & Salancik (2003, 43) “for continuing to provide what the organization needs, the external groups or organizations may demand certain actions from the organization in return”. The Ministry monitored and ensured that the performance of the case study institutions was consistent with the target agreement. The idea was to assess the extent to which the organisation had achieved its outputs and outcomes (cf. Pfeffer & Salancik 2003, 11). This is implicitly linked to the allocation of resources within the institutions. In order to achieve the set targets, the entity has to make allocations in such a way that performance targets can be achieved.

7.6.3 Financial frameworks set by the maintaining bodies

The budget documents, local regulations and organisational charts addressed how the case study institutions manifested as units within their maintaining organisations and to what extent financial issues were delegated. The closer and higher the AMK was located administratively to the budget and financial decision-making bodies of the maintaining body, the greater was the feeling of financial autonomy among the AMKs. The case study institutions run by municipal organisations were administratively located under the boards of local authorities with the exception of a case in which a committee structure had been established. To be as high as possible and as near as possible to the top of the organisation was important, because it allowed close links with the senior administrators (cf. Birnbaum 1998, 109).

“There are no additional levels between [the AMK board and the board of the local authority]. We are as close as possible… we avoided being located in the same mill together with the secondary level [of education]” (M1, R)

“Ei ole mitään välissä [ylläpitäjän hallituksen ja ammattikorkeakoulun hallituksen.] Olemme niin läheitä kuin mahdollista…Vältyimme joutumasta samaan myllyyn toisen asteen kanssa” (M1, R)

The budgetary power of the maintaining bodies included processes from budget planning – setting the frames and ceilings for the budget requests - to the control of budget implementation. The case study institutions or their operating units were treated as net budgeting units. The maintaining bodies had access to resources and
the power to make rules and also otherwise regulate the institutions and the acquisition and allocation of resources (cf. Pfeffer & Salancik 2003, 47-49). The resources controlled by maintaining bodies of the case study institutions were both monetary and non-monetary resources.

7.6.4 Control of monetary resources by the maintaining bodies

The maintaining bodies controlled cost growth and the introduction of new measures to direct and limit the expenditures of the case study institutions. They carried the responsibility throughout for their organisations’ financial stability with respect to operating incomes and expenses, total financing and liquidity. One major financial principle was that the case study institutions must survive on the unit price funding without extra money from their maintaining bodies. Borrowing money was under the authority of the maintaining organisations. The case study institution run as a municipal enterprise had financial autonomy with respect to the acquisition of monetary resources also through borrowing money within the limits of its budget.

If the budget allocations were made at the subunit level by the maintaining body, it restricted the financial autonomy of the AMK in question. A local maintaining agreement was applied in one AMK; it contributed to and restricted financial autonomy. The agreement delegated certain financial issues from the maintaining body to the AMK. It also determined how the unit price funding was to be allocated to the institution and how the institution was to make further allocations.

In the budget implementation the net budget principle was applied across the six case study institutions. The net budgeting implied that the difference between the appropriations and the estimated revenues specified in the budget was binding. Hence, spending or raising of revenues was not limited and not separately tied to a sum of appropriations or to a sum of estimated revenues or to certain cost or revenue categories. This gave more financial autonomy, particularly in terms of monetary resources. In addition, it contributed to the treatment of the AMK as one entity rather than as a set of subunits. Moreover, the significant matter was that the level of binding of the budget was at the institutional level in all the case study institutions with the exception of the AMK run by a limited company. In this case, the binding of the budget was at the operating unit level.

Binding levels were specified in relation to the budget authorities of the maintaining bodies. This implied that possible budget deviations must be approved by these budget authorities. The budget allocation tables were applied in the case study institutions maintained by municipal organisations. These were measures to control the institutions more closely. The budget allocation tables may include, for example, a detailed personnel plan and a detailed plan for how to achieve financial and operative targets. The budget allocation tables were prepared by the AMKs but according to the
directions imposed by the maintaining bodies. The budget monitoring and reporting were regular and also very intensive concerning the case study institutions run by a foundation, a limited company and a joint local authority. The case study institutions were given exact directions on how to report to their maintaining bodies.

7.6.5 Control of non-monetary resources by the maintaining bodies

Budget documents were also used for the operative steering of the case study institutions. The other tools for controlling non-monetary resources were the local regulations imposed by the maintaining bodies. They were applied across the six case study institutions. There were instructions, administrative regulations, standing orders, financial regulations, authorisation levels for procurements within the regulations or in some other specific instructions, travel rules or travel rules within the above-mentioned regulations.

Regulations were efficient tools to restrict financial autonomy, to delegate authority in financial issues and to define who is authorised, for what and to what extent. The local regulations addressed the extent of autonomy: such as filling vacancies, establishing posts and making procurements and purchases. The two large municipal maintaining bodies balanced authority between the maintaining organisation and the AMK and within the AMK also between the board and the rector. Across the case study institutions, financial issues were delegated and divided between the AMK board, the rector or some other specified member of the AMK personnel.

The case study institutions’ autonomy to enter into contracts was tied to specified sums of Euros as stipulated in the regulations. In those case study institutions where the sums were stipulated, the sums constituted less than one per cent of the total budget appropriations. The highest sum specified was 100,000 Euros. This is to say that contracts above this sum had to be decided by the maintaining body. Scaling of the sums between the AMK board and senior management was applied. The limits of the budget were also often referred to as ceilings.

7.6.6 Actions taken by the case study institutions

The actions were connected to how in principle the relationships worked at the local level between an AMK and its maintaining body. Following Pfeffer & Salancik (2003; see also Scott 2003, Oliver 1991, 1997) the resource recipients aim to influence their resource providers and take active measures to reduce dependence. How actions appeared in the AMK context and whether the actions were directed mainly towards the Ministry of Education or the maintaining bodies or both of them depended on the case and the context in question (cf. Pfeffer & Salancik 2003, 281).
The case study institution run by a foundation: The AMK was fully committed to the aim of the foundation. It was a relationship similar to compliance (Pfeffer & Salancik 2003, 94-95) and working in accordance with a shared organisational purpose. The actions to the Ministry of Education demonstrated adaptation to the public funding system and to the national policies. However, the AMK also aimed to retain its different profile rather than to serve the region and to this end sought support from the Ministry. This was also one way of extending its own control (cf. Pfeffer & Salancik 2003). There were also initiations in the form of ongoing discussions to seek support for privately run AMK institutions and willingness to maintain trust-based relations to funding bodies.

The case study institution run by a limited company: The AMK limited company, as the case referred to itself, adapted to the public funding system and took into account the major policies of the main shareholder. This case seemed to strengthen the relations between the AMK and its limited company and to its shareholders rather than to the Ministry of Education. It aimed to manage the cost factors and retain financial stabil- ity through careful planning and calculations. The case utilised the monitoring system of the Ministry of Education in order to emphasise good performance, to attract new students and ensure the numbers of student flows. It utilised target agreements with the Ministry to seek confirmation for internal structural changes within the institution.

The case study institution of a municipal enterprise: The AMK had arranged its financial-administrative independent status with a tactical eye to timing. The local regulations confirmed its autonomous status. It aimed to avoid certain local demands that it considered irrelevant for the AMK. The AMK considered the advantages between the Ministry of Education and a local authority and prepared strategies to achieve the goals it regarded to be the operations of the AMK. It sought status as a higher education institution through the Ministry of Education and gave priority to the target agreement. The AMK was active in seeking additional funding sources. It also made calculations to maximise operating revenues. The AMK aimed to ensure a stable funding base. In addition, it was active in protecting its status as a municipal enterprise against political demands to change its status.

The case study institution run by a joint local authority: The AMK turned to the ministerial steering and tried to legitmate itself as a higher education institution. Thus, it weighed up the advantages between the Ministry of Education and its maintaining body. It initiated a reform to a legal form of the maintaining body. It aimed to extend its control by preparing internal regulations under which the decision-making boundaries between the AMK and its maintaining body were clearly defined. The AMK aimed to utilise the Polytechnics Act fully to further its financial autonomy.
The case study institutions run by local authorities: Of the two case study institutions run by local authorities one specifically served the maintaining body and its purposes. The AMK emphasised that their actions were in conformity with the strategies of the maintaining body. It also aimed to change the local maintaining agreement in order to extend its own control and enhance its financial autonomy. The case study institution was also able to rely on the liquidity of its maintaining body. The case complied with the steering of the Ministry of Education, which follows from the limits of the state budget. The other case study institution adapted to the financial steering and management system of the maintaining body. It gave priority to the target agreement and wanted to commit the maintaining body to the content of the target agreement. This case also aimed to emphasise its different status as a higher education institution through the Ministry of Education. Both case study AMKs took local politics and the political time cycles of the maintaining bodies into account in their internal governance and administration. The AMKs also aimed to raise the profile of their performance, and the volume of activities and student numbers.

The adaptation (see Pfeffer & Salancik 2003, Oliver 1991) of the case study institutions demonstrated their actions and positions in their operating environment if one considers actions only in relation to the Ministry of Education. In the main, the case study AMKs preferred to turn to and rely on the Ministry’s steering system. The Ministry was generally regarded as being the highest national supervising and controlling authority in the field of higher education. However, this was not the case in all the case study institutions. According to Pfeffer and Salancik (2003), an efficient organisation satisfies the demands of those actors on which its own existence depends.

The target agreement and target negotiation meeting seemed to be the tool to commit the municipal maintaining bodies to the set targets and to avoid different influence from the maintaining bodies. Avoidance is one major organisational strategy to deal external pressures (Pfeffer & Salancik 2003, Oliver 1991).

7.6.7 Views on the case study institutions as entities

Vis à vis the Ministry the six case study institutions were authorised operating entities, units under the performance-based steering system, contracting parties, funded units and reporting units. They were authorised operating entities in the field of higher education by virtue of the operating licences, the contracting parties in the target agreements and the funded units in the unit price funding and performance-based funding systems. For the case study institutions, the operating licences were the documents that created them and the institutions were reluctant to act contrary to their operating licence.

At the local level the six case study institutions were subsidiary budget units, authorised units and reporting units within their maintaining organisations. The case
study institutions were the budget units while the maintaining bodies were in charge of the budgets. The authorised unit meant that an AMK had authority as specified by its maintaining body. As a reporting unit an AMK reported on its financial and operating issues to its maintaining body.

Vis à vis the Ministry, the AMK run by a foundation presented itself as an education provider run by a foundation. The AMK run by a limited company in relation to the Ministry of Education, viewed itself as one entity consisting of the AMK limited company. At the local level these case study AMKs were also regarded as units under financial control. From the perspective of financial management and control, it was the maintaining body that was responsible overall for the institutional level financial management.

The AMK of a municipal enterprise viewed itself as an authorised higher education institution within the Finnish higher education system. In relation to the maintaining body it was seen as an independent budget unit and a financially-administratively independent municipal enterprise. It achieved its status by careful preparation and political good timing. The AMK run by a joint local authority was regarded as an educational unit and financially accountable unit in relation to the maintaining body. In relation to the Ministry of Education, the case sought confirmation for its status as a higher education institution. The two AMKs run by local authorities were administrative departments. They were treated by their maintaining bodies and committed through the budgets, regulations, instructions and strategies, similarly to all the other administrative departments.

This section presented a synthesis of the research findings. Some quotes from the interview data that aimed to develop understanding through establishing dialogue between the synthesis and the thoughts of the informants were also presented. Discussion on the research findings follows in Chapter 8.
8. Conclusions and discussion

What was studied and how?

This chapter provides concluding remarks and a discussion of the research results on the constitution of financial autonomy at the six case study institutions. Connections to new / neo-institutional theory (e.g. DiMaggio & Powell 1991, Oliver 1991, 1997; Pfeffer & Salancik 2003) are discussed following interfaces with resource dependence theory. The chapter also assesses the research methodology, the credibility and transferability of the study. Moreover, it presents some ideas and suggestions for further research.

The purpose of this study was to contribute to the understanding of and to shed light on how the financial autonomy of Finnish AMKs is constituted in relation to their major funding bodies. The research problem was to explore the formation of financial autonomy of individual AMK institutions whose maintaining bodies operate according to differing legal bases. In order to study this issue a multiple case study based on six AMK institutions was conducted.

There were three research questions:

1) How is financial autonomy in AMKs controlled and influenced by the Ministry of Education and maintaining bodies?

2) How do individual AMKs act in order to enhance their financial autonomy?

3) How can AMKs be perceived as entities with regard to their financial autonomy?

Funding bodies are one of the most important elements in the environment of higher education institutions (e.g. Becher & Kogan 1992, Herbst 1997, Slaughter & Leslie 1997, Williams 1984). The Ministry of Education, Finland and the maintaining bodies are major funding bodies and crucial steering bodies of AMKs. According to resource
dependence theory (Pfeffer & Salancik 2003, 1987) and earlier research (e.g. Johnson 2002, Ordorika 2003, Slaughter & Leslie 1997, Volkwein 1986, Volkwein & Malik 1997) external resource providers have the capability to exercise power over the organisations funded and their resources. This was studied through the perceptions of AMK actors alongside the documentary data. Following Provan, Beyer & Krzytbosch (1980, 208; see also a number of studies these authors referred to) both the potential and the enacted power can be examined through perceptions of one party over another.

The autonomy of Finnish AMKs has been addressed in a number of national higher education policy documents. There are links to the financial autonomy of AMKs while the focus has been on improving the autonomy of AMKs in general. The background in the AMK context is that some AMKs have enjoyed adequate financial autonomy while certain others enjoyed only little financial autonomy. Autonomy is always realised in relation to other actors. In these relationships, both parties can be assumed to be active. An organisation’s actions are related to the actions of external agents (Pfeffer & Salancik 2003, see also e.g. Clark 1998, Johnson 2002, Slaughter & Leslie 1997, Felt & Glanz 2003, Volkwein 1986). The second research question dealt with the responses of the recipient of funding to perceived control and influence exerted by the resource providers.

The AMKs operate without the status of a legal person and the legal capacity that would enable them to operate as independent economic entities. Legal capacity creates an independent economic entity for an actor (Milgrom & Roberts 1992). The third research question focused on how AMKs can be perceived entities with regard to their financial autonomy.

Documents and semi-structured interviews with the rectors and financial/administrative directors were used as the empirical research data. The documentary data consisted of national data and case-specific data. The national data covered such issues as major legislation, Government bills and national policy documents related to AMKs. The case-specific document data included, for example, operating licences, budget documents, funding reports produced by the National Board of Education, a number of local regulations imposed by the maintaining bodies, target agreements and organisational charts.

Resource dependence theory (Pfeffer & Salancik 2003), the entity perspective and the resource perspective developed for the purpose of this study were applied to shed light how the financial autonomy of the case study institutions appeared in relation to their major funding bodies. The entity perspective, as drawn from the literature, was specified to be related to legal status, internal governance and administration, and finances of a higher education institution. However, no pre-defined content for the entity perspective was presented, rather the aim was to explore how it appears in the AMK context. The focus of the resource perspective was on autonomy related to monetary and non-monetary resources. The resource perspective subsumed acquisition of resources, allocation of resources and outputs and outcomes provided with the resources.
8.1 Research results

What was found?
The financial autonomy of the six case study institutions followed the measures applied in the governmental performance-based steering system, and other measures and frameworks established in the most recent AMK legislation and the funding legislation.

The Ministry of Education had the power to allow the operating licences to remain in force. It had a significant tool to influence AMKs through the operating licences. The Ministry acted as the principal party in the target negotiation processes and target agreements. It determined the major frameworks for the case study institutions’ finances and operations and demanded commitment to these frameworks and the operating licence. The Ministry controlled the major input resources and the performance of the case study institutions.

The national frameworks for the financial autonomy also had effects on the local level financial frameworks. However, there were also the locally established financial frameworks and directions imposed by the maintaining bodies for the case study institutions and their operating units. The maintaining bodies constituted administrative contexts, practised financial management and steering in general, and exercised control, particularly over the acquisition and allocation of resources. They were able to control both monetary and non-monetary resources. A major difference between the case study institutions was that each legal type of maintaining body brought diverse technical and institutional environments for the AMKs. They reflected further how the financial autonomy of the case study institutions appeared.

The case study institutions were active actors as regards their financial autonomy. Whether the actions were directed mostly towards the Ministry or towards the maintaining body, divided the case study institutions. This was because they seemed to weigh up their advantages between the Ministry and the maintaining body. This applied to the case study institutions run by the municipal multi-function maintaining bodies. The case study institutions adapted, complied with, and aimed to avoid control and influence, extended their own control, and sought to legitimate their status as higher education institutions.

Despite the fact that the AMKs are not independent legal entities, the case study institutions can be seen as entities in several senses. The idea of the being entities in higher education was enhanced through and by the Ministry of Education. A municipal enterprise was an effective way to do this locally. The case study institutions viewed themselves in relation to the Ministry of Education as authorised higher education entities, performance steered entities and reporting entities. In relation to their maintaining bodies they were viewed as budget entities, authorised entities, administrative departments, reporting entities and educational entities.
How was financial autonomy manifest?

Financial autonomy of the case study institutions appeared as legal, formal and actual financial autonomy (cf. Christensen & Laegreid 2006, Ordorika 2003, Ziegele 1998). Legal and formal financial autonomy had mostly connections to how the entity perspective manifested in this study. Legal and formal financial autonomy can be derived from elements of the technical environments of the case study institutions such as legislation, state budget, unit price funding system, target agreements, local budgets and regulations. Formal financial autonomy varied, but was not connected merely to the type of legal person. Legal or formal financial autonomy is not the whole picture. The budget appropriations, for example, manifested the formal financial autonomy regarding the monetary resources. Lack of a status of a legal person was replaced – though not entirely - by financial authority given to the institutions by their maintaining bodies and partly by the Ministry of Education.

Actual financial autonomy was linked to the availability of resources and the capacity of AMK actors to influence their funding and regulatory bodies. It was also one manifestation of the resource perspective in this study. It was regarded as actual financial autonomy when a maintaining body did not touch or cut the unit price funding. The actions taken by the case study institutions to enhance their financial autonomy were related to their status as an entity and to the aims to attain more revenues and financial authority. The student number driven funding formula tempted the case study institutions to apply growth strategies (cf. Pfeffer & Salancik 2003, 131, Albrecht & Ziderman 1992, 9) and to exceed the specified number of starting places they were allowed to offer. More students had meant more unit price funding. Only one case study institution had in its budget goal for the number of degrees taken.

One crucial aim was legitimation as a genuine higher education institution. This implied a way for the municipal case study institutions to attain different treatment from their maintaining bodies. On the whole, to understand the constitution of the financial autonomy of a higher education institution it is necessary to specify what autonomy; legal, formal or actual financial autonomy are considered, what subject areas are under consideration, what is studied within them and in relation to whom these aspects are investigated.

What conclusions can be drawn?

Financial autonomy as a phenomenon is complex indeed. In other words, the scope of the financial autonomy and what it is perceived to include may vary considerably from case to case. This concerned particularly AMK-maintainer relations. In its relations with major funding and regulative bodies financial autonomy is dynamic and interactive in nature (cf. Ordorika 2003, Felt & Glanz 2003, Snyder 2002). This is to say that beside the major funding bodies, AMKs, too, were active and willing to affect their financial autonomy. The institutional level financial autonomy has to be
considered separately in relation to each major funding and regulatory body in order to understand how it is constituted.

There is neither one type of maintaining system nor one single way of operating maintaining system with regard to AMKs’ financial autonomy. The complex context in which the financial autonomy of the AMKs emerged had to do with such phenomena as regulative environment, different types of maintaining organisations, two-tier steering bodies, various types and various strengths of steering mechanisms, and the history of AMKs’ pre-merger educational institutions. A foundation and a limited company were single-function maintaining bodies while a local authority and a joint local authority were multi-function organisations. Organisational functions and the domain of the maintaining bodies were connected to contexts and contents of relations between AMKs and their maintainers. Control and influence by the maintaining bodies seemed to be related to their interests in the ownership and financial responsibility for the institution. A foundation, a limited company and a joint local authority were types of maintaining bodies in which interests appeared strong (cf. Nyyssönen 2008, 176). Control and influence by a local authority was a part of similar steering throughout its other administrative departments. However, the administrative position of an AMK in a local authority differs from that of other administrative departments. This was because there was a three-year target agreement with the state to which an AMK is also one party (see also Temmes, Ahonen & Ojala 2002, 103).

The case study institutions were heavily dependent on the Ministry of Education and their maintaining bodies. The legal form of a maintaining organisation did not exclude the basis of dependence. Dependence is linked to the importance of resources and their indispensability. The resources the Ministry and maintaining bodies provided, such as operating licence, public funding, student intake numbers per field of study, authority and facilities, are crucial for the AMKs (cf. Pfeffer & Salancik 2003). No alternative sources for these resources were available. This dependence made external control and influence in fact inevitable (cf. Pfeffer & Salancik 2003, 43; Scott 2003, 111). The Ministry of Education and the maintaining bodies aimed to achieve influence and control in order to exercise their own interests and to initiate actions for their own interests within an organisation (cf. Pfeffer & Salancik 2003, 259-261). They had extensive possibilities to control resources (cf. Meklin, Kohtamäki & Valkama 2000, Nyyssönen 2008, Varis 2004). Correspondingly, the case study institutions aimed to influence their resource providers. In other words, they took actions to reduce dependence. (Cf. Pfeffer & Salancik 2003, 261; Scott 2003, 111). The rector had crucial role with respect to these funding bodies and in working between these bodies.
8.2 Discussion on the constitution of the financial autonomy of the case study institutions

8.2.1 Legal financial autonomy

Legal autonomy is autonomy guaranteed to AMKs by law; for example, AMKs were recognised as parties to the target agreements, they had their own internal governing bodies and internal regulations in their own right. The legislation mostly leaves open to what extent an AMK can have autonomy related to its monetary resources; one reference can be found. An AMK board is authorised to specify the grounds for the allocation of the appropriations granted to the AMK (Polytechnics Act 351/2003). However, the maintaining bodies have the budgetary power to make allocations to an institution or to units within the institution. There are limited opportunities for specifying grounds for allocations if resources are already divided or if the way allocations are to be divided among the operating units has been decided by the maintaining body.

Autonomy is an integral basic feature of higher education institutions (see Clark 1983, Ben-David 1992, Neave & van Vught 1994, Shattock 2003). In this study this meant that one major question in the appearance of financial autonomy from the entity perspective and from the viewpoint of the actions of the case study institutions was related to the full recognition of the AMK as a higher education institution and separate entity. Belonging to the Finnish higher education system was very important for the case study institutions.

Legitimacy is status conferred by external bodies or the members of an organisation. It is a basic motive of an organisation to attain stability and legitimacy in resource dependence theory (Pfeffer & Salancik 2003, see also Oliver 1991). Organisational legitimacy is not a given state of affairs (Pfeffer & Salancik 2003, 195, see also Bladh 2007, 257). An organisation may attempt to have its operations redefined as legitimate by associating them with other generally legitimated objectives, institutions or individuals. The organisation can also make pronouncements on its goals that are regarded as acceptable in the current environment (Pfeffer & Salancik 2003).

The role of the Ministry of Education, as the supreme national authority in the field of higher education, was crucial in the legitimisation process. The case study institutions run by a local authority or a joint local authority, but not all those participating this study, judged themselves able to strengthen their profiles as higher education institutions through the Ministry of Education. Such actions were connected to the nature of the relations between the case study institution and its maintaining body. Ministerial steering was regarded as being correct and genuine higher education steering. This means giving approval to the content of steering and recognising that there is a national, high-level, separate steering body for the AMKs. The Ministry’s strong role in the legitimisation process is also based on its power to keep the operating licence in force (cf. Molm 1991, 490).
From the above it emerges that legal autonomy seemed to carry symbolic meanings for the case study institutions. This applied to the case study institutions run by municipal maintaining bodies. Legislation is an authority tool (Van Vught 1997b, 126; Vedung 1998, 31) in the steering of higher education institutions and autonomy was strengthened through the passing of a law.

8.2.2 Formal financial autonomy

**Formal financial autonomy in relation to the Ministry of Education:** As a result of holding the operating licence an institution was, among others, an authorised entity entitled to the use of the name AMK and receive permanent unit price funding. Formal financial autonomy in terms of resources appeared, for example, in the form of block grant funds. However, the target agreements seemed to diminish the idea of the block grant system (cf. Herbst 2007, 79; Neave & van Vught 1991, 244-245). A performance agreement with the state or a target agreement, as it is called in the AMK context, is a contract document that includes the targets and goals the higher education institution is committed to achieve in return for the resources (cf. Herbst 2007). Specification of student intake per field of study is one example how acquisition of resources of an institution is not a part of its financial autonomy. The contents and procedures of target agreements committed the case study institutions and performance control was also applied to control the acquisition and use of resources.

**Formal financial autonomy in relation to maintaining bodies:** Any attempt by an AMK to improve its autonomy was apparent in the nature of the relation of an AMK to its maintaining body. This entailed emphasising the AMK legislation and that the AMK forms an entity and is part within the performance-based steering system of the Ministry of Education. In this way the case study institutions run by a local authority or a joint local authority found an opportunity to emphasise their different status and also bind their maintaining bodies to the contents of the target agreements. However, there were also cases that conceived of ministerial steering as non-imperative.

The formal financial autonomy of the case study AMKs in relation to the maintaining bodies regarding resources was realised under the authority provided by their maintaining bodies. In this respect the financial autonomy was reminiscent of derived autonomy (see Shattock 2003). The phenomenon of autonomy – an idea particularly related to freedom – was firmly based on regulation.

Formal financial autonomy is linked to the Finnish legal system, which is based on the Roman-German legal system. This type of legal system implies that the most important sources of legal order are written regulations. Regulations of finances is not a separate legal phenomenon from the legal system (Myllymäki 2000, 46). When an AMK actor aimed to enhance its autonomy, one typical measure was to initiate changes in the written regulations. If such an extension is approved in the regulations, it also improves
the possibilities for the actualisation financial autonomy. The case study institutions were authorised entities but with differing extent of authority. Authorisation levels in financial issues and contents of regulations, in general, were the areas in which all the case study institutions run by the municipal organisations were active in enhancing their financial autonomy. Therefore, authority emerged as a resource (Benson 1975, 232) in financial issues for the case study institutions. However, the regulations can always be amended in order to extend or restrict the authority.

Budgets were important documents in financial steering and management by the maintaining bodies. Budgets and financial plans were prepared according to the top-down model and the case study institutions adapted to the financial frameworks and instructions issued by the maintaining bodies. The top-down decision-making model is a very typical feature in budget decision-making (see e.g. Goedegebuure & De Boer 1996, 167). Different treatment in the preparation of the budget was one more unusual example of how an AMK was able to influence its maintaining body. However, formal financial autonomy was experienced in many respects to be a reality. This was the case particularly regarding the independence given in budget implementation. If there was a lack of autonomy in the budget implementation, an AMK has restricted options to introduce incentives or penalties internally (cf. Johnson 2002, 102). The net budget principle was a crucial contributing element in this respect.

As a starting point, budget surpluses and budget deficits were matters of the maintaining bodies of the case study institutions. The maintaining bodies were independent budget units and in charge of their budgets and the case study institutions were their subsidiary budget units. This is not to say that the principle of balancing revenues and expenses was not a matter of the case study institutions. The Ministry of Education aimed to enhance this principle by requiring that the maintaining bodies pay the unit price funding in full to their AMKs. If budget surplus existed, there were three types of solutions: 1) surplus was transferred to the own capital of the maintaining body (the AMK run by a joint local authority) 2) surplus was transferred to a fund (the AMKs run by local authorities) 3) the use of surplus was decided by the maintaining body (the AMKs run by a foundation, a limited company, a local authority).

On the whole, formal financial autonomy is a part of the way in which the financial autonomy of the case study institutions emerged.

8.2.3 Patterns of actual financial autonomy

Actual financial autonomy in relation to the Ministry of Education: The Ministry aimed to guarantee the same autonomy defined in the legislation to all AMKs. At the same time it aimed to ensure – through target setting - that this autonomy was used to implement the policies of the Ministry. This reflected a conception that higher education institutions should use their autonomy for the purposes defined by state authorities.
Financial Autonomy in Higher Education Institutions

Neave & van Vught 1991, see also Moses 2007). The Ministry of Education retained the power by keeping the operating licences in force.

One way to enhance actual financial autonomy was to maximise operating revenues from the state through maximising the student intake. Some case study institutions aimed both to increase the visibility of their performance, the volumes of activities and student numbers and the sizes of the AMKs. In this way, they aimed to justify the worth of the organisation and its activities in the regions where they were located (cf. Pfeffer & Salancik 2003, 131-133).

Availability of resources is the basic element for actualising financial autonomy (see Volkwein 1986, Herbst 2007). However, the hands of the Ministry of Education were tied due to the limits of the state budget and the case study institutions were aware of this. The adaptation and compliance of the case study institutions were advanced by the Ministry of Education through measures in changing the nature of its control toward co-operation and negotiation.

The Ministry was able to apply both authority tools and softer negotiation based tools when seeking influence and control over the case study institutions. A central issue in state steering is whether the actions are authoritative or incentive oriented (cf. Benson 1975, 240). Authoritatively oriented interaction means that the groups controlled are compelled to act as the controlling body demands (see e.g. Kogan 1998, 123; van Vught 1997b, 126; Vedung 1998, 31). The weight of authority and controlling tools was on the frameworks of operations and finances of the case study institutions and the acquisition of resources of the case study institution. The target agreement process had the effect of changing the nature of control based steering into co-operation based and negotiation oriented relationship.

The negotiation based tools applied by the Ministry of Education according to the experiences of the informants, were related particularly to the allocation of resources and to outputs and outcomes to be provided with the resources granted. While resource allocations were steered in a soft way in the name of targets, the performance of the case study institutions was controlled in the name of development and measurement. Measurement is related to a definition of acceptable performance (Pfeffer & Salancik 2003, 11 and 43-46). Development was a soft way to compel the case study institutions to comply. Acceptable criteria for performance were defined by measuring and by monitoring. The case study institutions were somehow required to comply with the targets and constraints. Thus, successful compliance can be seen to resemble successful performance (Allison & Zelikow 1999, 168).

The Ministry of Education also has interests other than merely implementing higher education policies. As part of the state administration it makes its performance agreement with the Council of State and must demonstrate its performance to that organ. As Donaldson (1995) pointed out, a resource provider could also become dependent on a resource recipient and such a situation leads to the idea of interdependence between organisations. According to Pfeffer and Salancik (2003, xii) dependences are
often reciprocal. The performance of the AMK sector is part of the performance of the Ministry of Education and in this way it is also dependent on AMKs, but not on any single case (cf. Pfeffer & Salancik 2003, 41).

**Actual financial autonomy in relation to maintaining bodies:** Actual financial autonomy in relation to maintaining bodies was linked to the capacity of AMK actors and to the availability of resources. The capacity was related to the ability of AMK actors to influence their maintaining bodies. On the whole, higher education institutions may assume active roles in a variety of matters (e.g. Clark 1998, Scott 1996, 121) and this also applies to the case study institutions.

Irrespective of the formal regulations different actors can play different roles in the decision-making processes (Verhoeven & Devos 2002, 158-160). This also means that actual autonomy is not the same as formal autonomy (Christensen & Laegreid 2006, 30; Ordorika 2003, 384; Ziegele 1998, 7). Financial management and the control of maintaining bodies experienced by the informants, and partly also the responses of the case study institutions were based on the reactions to the financial position and financial trends in those maintaining bodies. Moreover, the case study AMKs run by local authorities and joint local authority were placed in a competitive position with the other administrative departments of the maintaining organisation regarding the acquisition of resources. It was under consideration of the maintaining bodies which of their functions received funding, for example, to start new operations.

The case study institutions prepared many financial matters in which their maintaining bodies took the final decision. The preparation of matters for decision-making is important and probably more important than the authority to take a decision. The case study institutions could influence the timing of the introduction and preparation of matters. They could create close links to key decision-makers, initiate discussions, inform and convince key actors and shape the preferences of the key actors.

The major principle applied by the maintaining bodies was that the unit price funding is the primary funding; maintainers were reluctant to supplement this. The continuous and stable availability of resources (see Goedegebuure & Meek 1994, 133; Johnson 2002, 97) was important for the case study institutions. Liquidity ensured by the municipal maintaining bodies contributed availability of resources and also financial autonomy for the AMKs. For AMKs run by private organisations, there were no corresponding background organisations to guarantee their liquidity. These maintaining bodies were single function organisations and both of them carefully controlled the finances of the AMKs.

### 8.2.4 The crucial role of the rector and trust

The general functioning of the relations between an AMK and its resource providers varied from case to case. The rector had a crucial role in this respect. The standing and
status of the rector of the AMK in relation to the Ministry of Education and to the maintaining body was crucial in how the relationships worked overall. The crucial role of the rector is more a given role than a consequence of personal attributes (cf. Pfeffer & Salancik 1974, 136). The rector is a key actor (cf. Birnbaum 1988; Bargh, Scott & Smith 1996, 118) and this is based on his / her formal position, authority and duties at the AMK. Personal characteristics and abilities also matter. The rector also needs capacities to undertake financial planning and management in order to use financial autonomy (cf. Salmi 2007, 233, also Becher & Kogan 1992, 70-71). Success in a higher education institution's core functions is supported by good financial management and financial stability (Shattock 2003, 42; see also Jongbloed et al. 2000, 13). The rector is responsible for the day-to-day management of the institution and chairs the AMK board. The relationship with the maintaining body was to a very large extent based on the role of the rector in interaction with key elected officials and key office-holders of the maintaining body. The workable relationship between the aforementioned key actors forms the communication channels in which maintenance of trust was also established and retained (cf. Bargh, Scott & Smith 1996, 151).

Possessing actual financial autonomy means that the finances of the AMK have to be well arranged within the given financial frameworks and be in trustworthy hands. Trust building depended on the nature of actors’ relations. A high level of mutual trust enhances autonomy (Laegreid, Roness & Rubecksen 2006, 243). Trust is not something that can be demanded; rather it is freely given (Trow 1996, 5 and 10.) Lack of trust may cause micro-management, legitimacy problems and constrained flexibility (see more in De Boer 2002, 57-58).

8.2.5 Pursuit of advantage

The more the case study institution regarded the maintaining body as prescriptive or financially unstable the more the case study institution aimed to engage with the Ministry of Education. This can be understood as an attempt to secure the position of an organisation (see Scott 2003, 203). Similarly, the more constrained or inflexible the Ministry was perceived to be, the more the case study institution emphasised its connection and relationship with the maintaining body.

In some respects, there were shades of a game in interactions between the actors. The AMK considered and compared what it could do, what it could obtain or had obtained and what it might achieve or had achieved through the Ministry of Education and through the maintaining bodies (cf. Aiken & Hage 1968, 916; Schmidt & Kochan 1977, 232). On the basis of this consideration, the case study institutions made choices as to how they act.
8.2.6 Current steering structures

The local steering and regulatory structures successfully preserved the old financial steering and management structures and processes in some municipal maintaining bodies. In the background, there appeared to be within their institutional environments local traditions of the resourcing systems of the vocational education institutes. This can be interpreted as perpetuation of the current steering structures in order to contribute conformity and stability throughout the maintaining organisation (cf. Oliver 1991, 149). Local steering appears as a prevailing doctrine in the institutional environment (cf. Laegreid, Roness & Rubecksen 2006, 243). In these case study institutions, the AMKs aimed to reform the existing regulations or local agreements to achieve changes or had succeeded, for example, in changing to the status of a municipal enterprise. A limited company had strict financial control over the AMK. One reason was the unhealthy financial practices behind the pre-merger institutions that form the operating units of the present AMKs.

In addition, the state steering was organised in such a way that the finances of the case study institutions were based on one single operating funding source. This was the reality related to the unit price funding. However, the national policy aim is to diversify the funding structures of higher education institutions and through sources other than public funding bodies.

8.2.7 Desire to proclaim financial autonomy

The desire to proclaim financial autonomy is closely connected to legitimation as a higher education institution. It is presented separately here because it was an element that pervaded the interview discussions. It seemed that it was important for the interviewees to create an impression for the interviewer that the AMK institution did indeed have financial autonomy. Arguments included descriptions of what works in the exercise of financial autonomy, specifying matters where AMKs have financial autonomy or emphasising how the case study institution has bolstered its financial autonomy and by emphasising that financial management and control are not strictly directed to an AMK as to other departments of the maintaining organisation or by claiming that there will be changes in the future or that the Polytechnics Act (351/2005) provides new opportunities. Arguments also made reference to the lack of financial autonomy in some other AMKs compared to the state of affairs in the interviewee’s own institution. There seemed to be pressures to engage in practices conceived of as typical for autonomous higher education institutions.

There have been a number of mergers between AMKs since the collection of the empirical data of this study. The number of AMKs has decreased from 29 to 26. One common feature of these mergers is that a new maintaining body established due to
the mergers has always been a limited company. Is financial autonomy in AMKs run by private organisations, and particularly in the case of limited companies, more extensive, or is financial autonomy more flexible in this legal type of maintaining body? There are no simple answers, because financial autonomy always has to be considered in relation to other actors and it has to be specified what matters in financial autonomy are examined. Moreover, it must be clear whether one’s consideration deals with legal, formal or actual financial autonomy. They are not necessarily identical, because they are related to different elements in institutional and technical environments of a higher education institution.

In relation to the maintaining body the position of an AMK as an entity differs between private and public maintaining bodies. The position of an administrative department within a local authority and competition over resources against other administrative departments make it different from private organisations.

Governance and administration in limited companies and foundations are rather different compared to the municipal maintaining bodies. In mergers, one reason for choosing a limited company may be that natural persons and all types of legal persons can participate in its governing bodies. Moreover, their decision-making is more flexible, because the right of appeal is limited compared to that of municipal maintaining bodies.

8.2.8 Why did the relations between the case study institutions and their resource providers appear as they did?

It was very typical for the interviewees to start the discussion on financial autonomy from the AMK’s maintaining body rather than from the Ministry of Education. An owner or a maintaining body affected how an AMK emerged in the local context as an entity. In each case, there was a variety of institutional environments (e.g. Oliver 1997, 162), such as interest groups, expectations, regulations and regional pressures, behind the different forms of maintaining bodies. A limited company had a number of different types of shareholders and a joint local authority had member local authorities. A foundation had members promoting the purpose of this foundation. The size of a maintaining body also was connected to how an AMK’s relations to the maintaining body worked. The large size of the maintaining body necessitated bureaucracy. Bureaucratic control means regulations, rules, policies, orders and instructions (e.g. Birnbaum 1988) and planning processes consistent with the political time cycles of local authorities. Bureaucracy in two large case study institution also implied viewing their position as administrative departments within their maintaining bodies. The environmental context affects organisations and is also a determinant of how an organisation acts in response to this influence (Johnson 2002, 104; Oliver 1997, 170; Galaskiewicz 1985, 286). In
other words, organisations tailor their responses to varying local demands (Kraatz & Zajac 1996). Different contextual circumstances stimulate different actions.

The case study institutions did not have similar and static environments. Higher education institutions act in interaction with the surrounding society and external actors can be very powerful (Bladh 2007, 256; Trow 1996, 311). The AMKs face the dilemma of being entities under the performance-based steering of the Ministry of Education and of having various positions as entities – budget entities, authorised entities, reporting entities - at the local level but without the status of a legal person.

The various legal forms of maintaining bodies have been seen as one reason for the differences in financial autonomy between the AMK institutions. In light of this study, it is more justifiable to say that financial autonomy was based on a range of factors in all the case study institutions. However, it depends whether financial autonomy is considered from the resource perspective or from the entity perspective. The research results show that all legal forms of maintaining bodies allow variations in formal and actual financial autonomy. There were no standardised models of financial autonomy.

The municipal maintaining bodies aimed to treat the AMKs similarly to any other of their administrative departments. They aimed to commit the AMKs to the goals and strategies of their maintaining bodies. Conversely, the AMKs aimed to commit their maintaining bodies to the target agreements. In economically less developed regions, the AMKs faced expectations of producing positive effects and advancement for the region. Mostly the case study institutions served their maintaining bodies and their regions. (See also Nyyssölä 2008, Puoskari 2004.)

The case study AMKs run by local authorities or joint local authorities were under the political-administrative organisations. Links with the political-administrative organisations meant, among other things, political time cycles in financial planning, a number of interests and interest groups and interaction with both elected officials and civil servants. Through these links there appeared to be varying institutional environments (Oliver 1991, 1997) connected to the constitution of the financial autonomy of the AMK.

Local politics and political involvement were emphasised in those case study institutions where the AMK is co-owned or the operations or / and the maintaining body were spread over several localities. Decentralised geographic location raised interests in financial steering. This type of interest driven steering was directed towards the acquisition and allocation of resources. Local politics appeared through a number of actors and demands. A joint local authority is a very typical form of co-operation between two or more local authorities in Finland. Although its orientation as an organisation should be co-operative, in this study the interaction seemed to be quite interest driven and competitive. A municipal enterprise was both a product and a process of the strategic thinking and management of the case study institution itself.

The dynamics of financial autonomy were connected to a number of elements between the six individual case study institutions and their resource providers. On the
whole, the case study institutions were embedded in their institutional environments (cf. Galaskiewicz 1985, Pfeffer & Salancik 2003, Oliver 1991, 1997). This also implies that institutional environments constrained the actions the case study institutions could take. Information and interpretations from the environments and from events in the environments are necessary in order to initiate actions (Pfeffer & Salancik 2003). The fundamental interests of steering bodies in higher education usually mean less autonomy in areas that are within the primary interests of the steering bodies (Ordorika 2003, 383; see also Kogan & Marton 2000, 97; Michael & Holdway 2001, 718; Scott & Hood 2004, 79). Interests were moreover reflected in the type and content of control and influence the case study institutions were faced with. Interests and their interfaces with varying features of technical environments and further with varying institutional environments were connected to the emergence of financial autonomy throughout the six case study institutions.

### 8.3 Assessment of the theoretical approach

In this study, resource dependence theory was used to guide and shed light (see e.g. Creswell 2003, 131-140; Parsons 2001, 482-483) on analysing the relation of the case study institutions with their major funding bodies. The theory guided information seeking and further served as a field for reflecting on research findings. The case study institutions’ financial autonomy was approached through the actions employed by the resource providers and by the case study institutions. The study focused on technical environments – the funding bodies and regulative bodies - of the case study institutions. Technical environments are always connected to institutional environments, as Scott (2003, 214) points out. Resource dependence theory also has links to institutional environments (Pfeffer & Salancik 2003, 147-152; 259; Oliver 1991, 148). Thus there are reflections both to the resource dependence theory and partly to the elements of new institutional theory in the discussion of the research results.

#### 8.3.1 Integrating the entity perspective and the resource perspective into resource dependence theory

In this study, resource dependence theory was used to help in analysing financial autonomy through the entity perspective and resource perspective. The integration of resource dependence theory and the two perspectives helped to demonstrate how the resource providers and the case study institutions act and recognise the object of their control, influence and actions. Control and influence were directed at the organisation and its resources as assumed in resource dependence theory (cf. Pfeffer & Salancik 2003, 45 and 259-261).
8.3.2 Actions of higher education institutions: the major contribution of theory to discussions on autonomy

The major relevance of resource dependence theory to this study – and for the current discussions on autonomy - is in the fact that higher education institutions are willing and able to create and exercise actions to enhance and improve their financial autonomy. The actions and influence of higher education institutions have not been in the front line in earlier research on the autonomy of higher education institutions. Strategic responses to institutional processes according to elements of new institutional theory as analysed by Oliver (1991) had close links to resource dependence theory. However, to reveal unconscious influence by other organisations and taken-for-granted myths, habits or values requires collecting the research data focusing on this aspect.

8.3.3 Bases for interactions: a legal requirement

Resource dependence theory assumes that inter-organisational interaction is based on voluntary exchanges. In this study, certain elements of interactions are prescribed in the legislation. Thus, parties and interaction between the parties are pre-determined. Oliver (1991) categorises inter-organisational relationships on the basis of whether an organisation is able to make a decision to interact with external partner or not; that is, whether the relationship is voluntary or is required by law. Interaction could be voluntary, legally regulated or contractual. The same relationship might exhibit all of these features concurrently. In the context of AMKs, the contractual relationship in terms of target agreements is also based on the legislation.

8.3.4 More than a two-sided relationship

Resource dependence theory has a number of elements and assumptions that are driven by interactions between two organisations. The theory carries both the sociological traditions from the 1960s and 1970s, and the assumptions of economic traditions in studying inter-organisational relations. The theory was established primarily to describe inter-firm relations in the business sector and not in the higher education sector. However, the theory has been applied in the higher education context (see e.g. Goedegebuure et al. 2006, Goedegebuure & Meek 1994, Huisman 1997, Johnson 2002, Slaughter & Leslie 1997, De Wit & Verhoeven 2000 and Volkwein 1986).

The relationship between the AMK and the maintaining body was more complex than the resource dependence theory assumes. There tended to be actors other than the two organisations. The maintaining system can include various background organisations and actors whose actual role is not necessarily obvious. Within one steering actor,
there are also the different, conflicting or ambiguous goals and influence and interests of other actors (Kickert 1997, 740). This makes processes more complex and facilitates the emergence of varying roles of actors (Felt & Glanz 2003, see also Goedegebuure & De Boer 1996, 169).

In the case study institution run by a limited company, there was a company and shareholders, which the informants categorised into the main shareholder and the regional shareholders. The AMK run by a joint local authority was influenced by the member local authorities. An AMK of a municipal enterprise divided actors into two groups, namely into the local politicians and local civil servants of the local authority. The two case study institutions run by local authorities used the same categorisation. A local authority as an organisation is not a single unit but a political-administrative organisation, and there are both the administrative staff and elected officials whom the case study institutions run by local authorities took into account.

Interaction between the AMK, the maintaining body and the Ministry was studied separately in accordance with resource dependence theory. However, interaction involving three actors from the point of view of the constitution of financial autonomy is also important. More information is needed to examine the role of maintaining bodies in the target negotiation process, for example.

8.3.5 Informal and interpersonal relations

One informant described how an extensive part of interaction has to do with interpersonal relations. According to this informant, how people interact is crucial. Beside formal relationships and connections, other informal and interpersonal relationships will emerge (Bargh, Scott & Smith 1996, 137 and 151) and formal representation and the formal powers of actors do not tell the whole story (e.g. Fulton 2002, 203). There were discussions, meetings and many other contacts between the actors. In two case study institutions, the informants likewise regarded it as important to establish communication channels with the key decision-making bodies of the local authority. This type of relationship was also emphasised in relation to the Ministry of Education. Resource dependence theory does not analyse how a relationship works at the interpersonal level, nor was it the purpose of the study. Another reason was the need to preserve the anonymity of the case study institutions.

8.4 Assessment of the empirical approach

The financial autonomy of AMKs was studied empirically using a multiple case study approach (see e.g. Hammersley & Gomm 2000, Creswell 1998, Merriam 1998, Yin 2003).
Six case study institutions were selected for this study through purposeful sampling (see Silverman 2000, 104; Creswell 1998, 62) from among 29 AMKs. The empirical data consisted of recorded semi-structured interviews (Fontana & Frey 2000, see also e.g. Hirsijärvi & Hurme 2004, Yin 2003) and documentary data. The documentary data consisted of national data and case-specific data. The data were analysed using content analysis (see e.g. Hirsijärvi & Hurme 2004, Krippendorf 2004, Yin 2003).

**8.4.1 Multiple case study**

In multiple case studies, one familiar problem is the extent of the study or its depth (Berry 2002, 680; Patton 2002, 227-228). In this study, this means a number of cases and a broad approach including two perspectives on financial autonomy. Studying six case study institutions with four different legal forms of ownership was the absolute maximum number of cases.

The relationships of AMKs to the Ministry of Education could also have been studied with a smaller number of cases. However, this depends on the kind of relationship pertaining between the maintaining body and the AMK. The type of local relations further affects how the steering of the Ministry is received and how an AMK institution acts. To examine the financial autonomy of individual AMKs with maintaining bodies with varying legal bases clearly demands a multiple case study method.

**8.4.2 Documentary data**

Local steering takes place in the contexts of the diverse regulatory environments of maintaining bodies. Maintainers’ regulations had virtually the force of law for some of the case study institutions. Local regulations revealed financial autonomy in the form of authority relations and boundaries (who is in charge of what). Regulative systems demonstrated the formal financial autonomy in two respects: 1) actors with authorisation (who is authorised) and 2) the extent of authority (level of authorisation).

The regulations are binding upon all units within the maintaining organisation, as is the legislation. Hence some of the case study institutions encountered them in their daily operations. In addition, the concurrent existence of national and local steering and the interactions occurring therein render it difficult to reveal the constitution of financial autonomy solely on the basis of the documentary data collected. The national data showed a number of elements of legal and formal financial autonomy in a number of documents.

The local regulative environments are diverse and complex. On the whole, there is no single document describing what constitutes the formal financial autonomy of an AMK. Instead, there are different aspects in different regulatory documents in each case.
There are also a number of regulations in AMKs run by single-function maintaining bodies. In the case study institutions run by the multi-function maintaining organisation the existing financial regulations and instructions used by the maintaining body were not specifically established for the purposes of the AMK organisation.

The rules per se are not the problem; it is rather the premises behind them or the system to which the rules are coupled (Allison & Zelikow 1999, 152; see also Dodson 1997, 98; McDaniel 1996, 140-141) and this study also demonstrated it. Thus, the case AMKs run by the multi-function maintaining bodies are subject to legislation and regulations that have been introduced for purposes other than running higher education institutions and were not prepared by the AMKs. In the research data, the case study institution run by a limited company, for example, emphasised strongly that they had prepared and introduced their own financial management system and did not apply any systems of external bodies.

8.4.3 Interview data

Discussions with the institutional level senior management (central leadership of an AMK) of the respective case study institutions yielded an understanding of the core elements of financial autonomy in institutional contexts and how these are linked to the analytical framework of the study in a complex way. But might some aspects or elements of financial autonomy have carried too much or too little weight in the interview discussions and further in the analysis of the interview data? One problem in interview data is that research subjects always have their own agendas in the interviews (Berry 2002, 680). These matters are discussed in the following section.

8.5 Assessment of credibility and transferability

This section reverts to the credibility and transferability of this qualitative and empirically oriented study. The three following questions will be addressed: 1) was the study conducted so as to be able to respond to the research problem and research questions set in a thorough and trustworthy manner (credibility) 2) are the research results generalisable (transferability) and 3) would the research findings be the same if the study had been conducted by someone else?. The first question deals with the data collected and responses received on the research questions and the other two questions are related to my actions as a researcher.

The application of resource dependence theory may suggest that this study concentrates on the phenomenon of dependency rather than on financial autonomy. Thus, was the focus of the study on dependency and restrictions rather than on how financial autonomy is constituted? As noted, the financial autonomy of the case study
institutions was in many respects regulated formal financial autonomy. According to Simhony (1993, 31) by recognising restrictions on freedom, one can fully appreciate any particular conception of freedom. Control and influence do not always necessarily imply restrictions. Control also contains financial authorisation that articulates where and to what extent an AMK may exercise formal financial autonomy.

Resource dependence theory also focuses on the actions by which an organisation can enhance its autonomy. The second research question of the study considered the actions by which individual AMKs can enhance their financial autonomy. A number of such actions were found. The possibly restrictive approach of the study to financial autonomy was in this way at least mitigated. Chapter 3 showed that the literature reviewed focused on the state steering and on practising financial autonomy. Actions taken by higher education institutions were not the main interest of earlier research. Higher education institutions were not analysed as economic entities in studies focusing on their autonomy. This study developed the analytical frameworks by which financial autonomy was empirically analysed. The final formulation into the entity perspective and the resource perspective was achieved after the collection of the empirical data. Thus, the understanding achieved through the interview discussions also guided the construction of the analytical framework to study financial autonomy.

In qualitative studies, transferability refers to whether the results might have meaning for others in similar situations. The purpose of this study was to understand financial autonomy from the perspective of the respondents of individual AMKs with different legal categories of maintaining bodies. The respondents considered financial autonomy in their own diverse contexts. The realities of the informants were therefore involved in their viewpoints. How far their realities can be considered independently and separately from their contexts or transferred as such to other AMKs are open questions. In this study, it is more relevant to understand the cases (Stake 2003) rather than attempting on the basis of the findings to project generalisations beyond the case study institutions. The transferability of the research results of this study is mainly left to the readers who know the contexts into which they wish to transfer the results or part thereof.

To study financial autonomy again with the same theoretical assumptions and research methodology would probably not yield exactly the same research findings. This is because autonomy varies and interpretations of autonomy vary over time (see e.g. Felt & Glanz 2003, 29; Ordorika 2003, 384; Tapper & Salter 1995, 59; Sizer & Mackie 1995). This study had to do with the 2004-2006 target agreement period. Another question is whether the results would be the same if someone else had conducted this research with the same methodology. Because this is a qualitative study and the data collection, analysis and interpretations are tied to the researcher, the answer is not simple. It is not impossible that the data would yield similar interpretations if the same frame of reference were applied. However, this research project is not only the result of the processes of the work at hand. Chapter 6 presented a description of the
research tasks I have been involved in, and that involvement may directly or indirectly have affected the interpretations in this study and my approach as a researcher.

### 8.6 Suggestions for further research

This study considered AMKs’ relations to their maintaining bodies and to the Ministry of Education, Finland. AMKs also have sources of funding other than these two. In this connection, I will revert to one crucial autonomy related question: in relation to whom or what is autonomy considered? Although sources other than the Ministry of Education and the maintaining bodies represent significantly smaller relative shares in the current operating revenue structures of AMKs, it is an important aspect to study. This is because the importance of a resource may be considerable although its share is low (Pfeffer & Salancik 2003). Each revenue source operates in its own “revenue market” including criteria and constraints for the acquisition and use of revenue. Dependence may also pertain in the case of multiple sources of funds. (Herbst 2007, 429 and 431.) The financial autonomy of AMKs in relation to other funding bodies than the Ministry of Education and the maintaining bodies could thus be a topic for a new study. Although this study did not consider other funding bodies, two of the case study institutions emphasised the quest for additional resources.

A comparison of financial autonomy between AMKs and universities could be one research challenge in the future. The plans to change the legal status of the universities into legal persons under public law and foundations under private law would be an interesting comparative setting. In any case, the financial autonomy at universities is an area in need of investigation. This study may provide some tools in the form of analytical frameworks to conduct an investigation in the university context.

Financial autonomy as a phenomenon does not affect or emerge only at the institutional level of higher education. There are also other actors through whose viewpoints autonomy can be studied. The operating units of higher education institutions and the formation of financial autonomy within the AMK institution is an important dimension elucidating financial autonomy from the perspective of the internal life of the institution. Financial autonomy at the individual level within the institution could also be studied.

In those studies reviewed no negative effects of autonomy were examined. It was found that, irrespective of the willingness of national policies to increase the autonomy of public higher education institutions, control type steering mechanisms persisted. Autonomy does not mean absence of outside control. According to Salmi (2007, 241; see also Berdahl & McConnell 1999, 85; Hauptman 2006, 91) there have to be conditions for autonomy and autonomy should not be confused with total independence.
The constitution of financial autonomy was concerned not with the *products* of activities, but with *process* of activities undertaken by the case study institutions and the resource providers. Following Hood (2004, 104), activity is not synonymous with achievement. Hence, one cannot say to what extent control and the exertion of influence by the resource providers or the actions of individual case study institutions lead in the desired directions or to the desired state of affairs. Higher education institutions operate in a modern and competitive society which is constantly changing and globalising. The higher education institutions themselves are also changing, and they are involved in many new activities. In this context, an instrumentalist approach aims to reveal how financial autonomy is wielded by higher education institutions. Such consideration would also illuminate – from a limited perspective - the purpose of financial autonomy.

According to Granovetter & Swedberg (2001, 51; see also Pfeffer 1997, 55) an organisation’s behaviour is embedded in networks of interpersonal relations. Studying interpersonal relations that are more implicitly than explicitly observable could also contribute to a better understanding of inter-organisational relationships. Such a study would shed light on networks and the different roles of different individuals in these networks and in the decision-making processes. The new institutional theory could be one theoretical perspective to guide this type of study.

A new study with the same research setting as a follow-up study could shed light on the implementation process of the AMK legislation from new perspectives when more experiences are available. However, the autonomy of higher education institutions needs time to develop (Cazenave 1994, 193) as do many other change processes in higher education (e.g. Becher & Kogan 1992, 133-152). Thus, the perfect timing of such an investigation needs careful consideration.
References


Constitutional Law Committee. 74/2002 *Perustuslakivaliokunnan lausunto 74/2002 vp Hallituksen esityksestä ammattikorkeakoululaiksi ja laiksi ammatillisesta opettajankoulutuksesta.*


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Merikoski, V. 1966. Yliopistohallinnon ydinlyömäsymys ja ydinkysymyksiä (Core issues in university governance). Porvoo: WSOY.


Acts and decrees

### Appendix 1. Finnish AMK institutions and structural changes (Ministry of Education 2004b)

<table>
<thead>
<tr>
<th>Names of AMKs in Finnish or in Finnish and Swedish*</th>
<th>Structural changes after 2004</th>
<th>New name</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foundation-run AMKs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Arcada - Nylands svenska yrkeshögskola</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Haaga Instituutin ammattikorkeakoulu</td>
<td>Merger with Helsingin liiketalouden ammattikorkeakoulu in 2007 (see below)</td>
<td>HAAGA-HELIA ammattikorkeakoulu (run by the limited company)</td>
</tr>
<tr>
<td>3) Helsingin liiketalouden ammattikorkeakoulu</td>
<td>Merger with Haaga Instituutin ammattikorkeakoulu in 2007</td>
<td></td>
</tr>
<tr>
<td><strong>Limited company-run AMKs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Diakonia ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Humanistinen ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Jyväskylän ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Keski-Pohjanmaan ammattikorkeakoulu –Mellersta Österbottens Yrkeshögskola</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Kymenlaakson ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) Laurea-ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Pirkanmaan ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8) Yrkeshögskolan Sydväst</td>
<td>Merger with Svenska yrkeshögskolan in 2008</td>
<td>Yrkeshögskolan NOVIA (run by the limited company)</td>
</tr>
<tr>
<td><strong>Local authority-run AMKs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Helsingin ammattikorkeakoulu</td>
<td>Merger with Espoon-Vantaan teknillinen ammattikorkeakoulu (see below)</td>
<td>Metropolia ammattikorkeakoulu (run by the limited company)</td>
</tr>
<tr>
<td>2) Kajaanin ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3) Pohjois-Karjalan ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4) Satakunnan ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5) Tampereen ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6) Turun ammattikorkeakoulu – Åbo Yrkeshögskola</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7) Vaasan ammattikorkeakoulu</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table continued overleaf.
<table>
<thead>
<tr>
<th>Joint local authority-run AMKs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Etelä-Karjalan ammattikorkeakoulu</td>
<td>Merger with Helsingin ammatti-korkeakoulu in 2008</td>
</tr>
<tr>
<td>2) Espoon-Vantaan teknillinen ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>3) Hämeen ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>4) Kemi-Tornion ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>5) Lahden ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>6) Mikkelin ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>7) Oulun seudun ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>8) Rovaniemen ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>9) Savonia-ammattikorkeakoulu</td>
<td></td>
</tr>
<tr>
<td>10) Seinäjoen ammattikorkeakoulu</td>
<td>Merger with Yrkeshögskolan Sydväst in 2008</td>
</tr>
<tr>
<td>11) Svenska yrkeshögskolan</td>
<td></td>
</tr>
</tbody>
</table>

*Names according to the operating licences.
APPENDIX 2. Calculation of the AMK specific unit price for 2005 (National Board of Education)

<table>
<thead>
<tr>
<th>Degree/ field of study</th>
<th>Average unit price per student, eur</th>
<th>Number of students</th>
<th>Number of students per study fields of increased unit prices</th>
<th>Average share of increase</th>
<th>Increase per student, eur</th>
<th>Equalisation co-efficient 1</th>
<th>Unit price/ student, eur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional specialisation studies</td>
<td></td>
<td>193</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,467.55</td>
</tr>
<tr>
<td>Postgraduate AMK degrees</td>
<td></td>
<td>32</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6,467.55</td>
</tr>
<tr>
<td>Degrees in Natural Resources</td>
<td>8,119.23</td>
<td>143</td>
<td></td>
<td>1.0000</td>
<td>8,119.23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study programmes in Engineering</td>
<td>6,572.73</td>
<td>1,685</td>
<td></td>
<td>0.9953</td>
<td>6,541.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study programme in Data Processing</td>
<td>4,797.21</td>
<td>205</td>
<td></td>
<td>1.0000</td>
<td>4,797.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other study programmes in Business Administration</td>
<td>4,797.21</td>
<td>874</td>
<td></td>
<td>1.0000</td>
<td>4,797.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Degrees in Hospitality Management</td>
<td>5,594.22</td>
<td>575</td>
<td></td>
<td>1.0000</td>
<td>5,794.22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other study programmes in Social Services and Health Care</td>
<td>6,616.93</td>
<td>936</td>
<td></td>
<td>0.9983</td>
<td>6,605.83</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study programmes in Music</td>
<td>9,874.14</td>
<td>192</td>
<td>192</td>
<td>35.00</td>
<td>3,455.95</td>
<td>0.9227</td>
<td>12,300.02</td>
</tr>
<tr>
<td>Other study programmes in Culture and Arts</td>
<td>9,874.14</td>
<td>219</td>
<td></td>
<td>0.9227</td>
<td>9,111.12</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,054</td>
<td>192</td>
<td>131.29</td>
<td></td>
<td></td>
<td></td>
<td>6,467.55</td>
</tr>
</tbody>
</table>

Balancing co-efficient (tasauskerroin) 2: 0.9802186 (to the average national unit price confirmed by the Council of State) 6,339.61

Increase for students in special education (erityisopiskelijoiden korotus): 0,5 x 6 408,62 eur x 0,00 students/ 5.054,0 + 0,00

Separate rents (Funding Act Section 14a) 128,601.00 eur / 5.054.0 + 25,45

Discretionary increase (harkinnanvarainen korotus) 0.0 % + 0.00

Share of value added tax (arvonlisäveron osuus): 3.53 % x 6,365.06 + 224.69

**Total unit price for the year 2005** 6,589.75
<table>
<thead>
<tr>
<th>Factors in calculations</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>National average unit price</td>
<td>National total costs of AMKs (prior to year the calculation year)/real student numbers (the Council of State)</td>
</tr>
<tr>
<td>Average unit price per student, eur</td>
<td>Calculated average unit prices per field of study in euros (weighted average by number of students)</td>
</tr>
<tr>
<td>Number of students</td>
<td>Number of students in different study fields of the AMK</td>
</tr>
<tr>
<td>Number of students per study fields of increased unit prices</td>
<td>Higher level unit prices in certain study fields in accordance with the Government Decree</td>
</tr>
<tr>
<td>Average share of increases</td>
<td>Percentual figure specified in the Government Decree</td>
</tr>
<tr>
<td>Increase per student, eur</td>
<td>Increase in euros per student</td>
</tr>
<tr>
<td>Balancing co-efficient</td>
<td>Unit price funding system is part of the state grant system. The purpose of the co-efficient is to compensate and balance calculated tax revenues per inhabitant among the different local authorities.</td>
</tr>
<tr>
<td>Unit price/student, eur</td>
<td>Unit price per student of the AMK (Ministry of Education)</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>3 §</td>
<td>1 §</td>
</tr>
<tr>
<td>Polytechnic studies are provided by polytechnics subject to the Ministry of Education.</td>
<td>The Act applies to polytechnics that belong to the sphere of authority of the Ministry of Education.</td>
</tr>
<tr>
<td>The higher education system comprises universities and polytechnics, the non-university sector</td>
<td>2 §</td>
</tr>
<tr>
<td>4 §</td>
<td>6 §</td>
</tr>
<tr>
<td>Operating licence</td>
<td>Operating licence</td>
</tr>
<tr>
<td>6 §</td>
<td>7 §</td>
</tr>
<tr>
<td>Educational mission</td>
<td>Educational mission</td>
</tr>
<tr>
<td>In accordance with the further provisions issued by Government decree, the polytechnics' study fields, student numbers in basic degree education, language of instruction and locations of units are specified in the educational mission</td>
<td>- no amendments</td>
</tr>
<tr>
<td>Permission to change polytechnics' educational mission in terms of the number of study places and locations shall be granted by the Ministry of Education.</td>
<td>- no amendments</td>
</tr>
<tr>
<td>7 §</td>
<td>8 §</td>
</tr>
<tr>
<td>Other steering</td>
<td>Setting targets</td>
</tr>
<tr>
<td>(1) In accordance with further provisions issued by Government decree, the Government shall adopt a Development Plan for Education and Research for a specified number of years at a time, which shall include general development targets for polytechnics.</td>
<td>(1) In accordance with further provisions issued by Government decree, the Government shall adopt a Development Plan for Education and Research for a specified number of years at a time, which shall include general development targets for polytechnics.</td>
</tr>
<tr>
<td>(2) The Ministry of Education and the maintaining organisation of a polytechnic shall agree with the polytechnic, for a specified number of years at a time, on key objectives in terms of national higher education policy to be set for the polytechnic's operations and on monitoring thereof, as well as on key national development projects.</td>
<td>(2) The Ministry of Education and the maintaining organisation of a polytechnic shall agree with the polytechnic, for a specified number of years at a time, on key objectives in terms of national higher education policy to be set for the polytechnic's operations and on monitoring thereof, as well as on key national development projects.</td>
</tr>
<tr>
<td>(3) Where polytechnic-specific quantitative targets cannot otherwise be reconciled nationally or regionally, the Ministry of Education may decide on the numbers of those starting their studies at polytechnics in terms of the total amount of intake numbers and, where necessary, in whole or in part by degree (no amendments).</td>
<td>(3) Where polytechnic-specific quantitative targets cannot otherwise be reconciled nationally or regionally, the Ministry of Education may decide on the numbers of those starting their studies at polytechnics in terms of the total amount of intake numbers and, where necessary, in whole or in part by degree (no amendments).</td>
</tr>
</tbody>
</table>
8 §  
Development responsibility
- A polytechnic is responsible for quality and continuous development of education and other activities it organises, and for periodical external quality evaluations
- There is a separate body for quality assessment in conjunction with the Ministry of Education, further provisions on which are laid down in a Government decree.

9 §  
Quality assessment
- (1) A polytechnic shall be responsible for the standard of quality and continuous improvement of the education provided and other operations and for participating in external quality assessment on a regular basis.
- (2) The polytechnic shall publish the results of the assessment that it has organised.
- (3) There is a Higher Education Evaluation Council in conjunction with the Ministry of Education, further provisions on which are laid down in a Government decree.

12 §  
Degree programmes and curricula

16 §  
Tuition fees

19 §  
Degree programmes and curricula
- some amendments: duration of degree programmes of post degree education

26 §  
Tuition fees
- some amendments: e.g. free post degree education

Funding

21 §  
State grant for investments.

22 §  
State grant for operative costs

23 §  
Extra state grant

21 §  
State grant for investments.

22 §  
State grant for operative costs

23 §  
Extra state grant

32 §  
Core funding

33 §  
Project and performance-based funding and funding for AMKs' common polytechnic expenditure

40 §  
Right to receive information
(2) When requested, the polytechnic shall furnish the Ministry of Education with data as specified to facilitate evaluation, development, statistics compilation and monitoring of education.
### APPENDIX 4. Maintaining bodies’ steering instruments in the old and new Act

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4 § Operating licence</strong></td>
<td><strong>6 § Operating licence</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>7 § Other steering</strong></td>
<td><strong>8 § Setting targets</strong></td>
</tr>
<tr>
<td></td>
<td>(2) The Ministry of Education and the maintaining organisation of a polytechnic shall agree with the polytechnic, for a specified number of years at a time, on key objectives in terms of national higher education policy to be set for the polytechnic’s operations and on monitoring thereof, as well as on key national development projects.</td>
</tr>
<tr>
<td><strong>9 § Foundations of polytechnic’s administration</strong></td>
<td><strong>11 § Board</strong></td>
</tr>
<tr>
<td></td>
<td>(3) The total number of board members and the number of members falling within the groups referred to in subsection (1) shall be decided by the maintaining organisation of the polytechnic. Selection of members shall be determined in the polytechnic statutes.</td>
</tr>
<tr>
<td></td>
<td>(4) The board shall be appointed by the maintaining organisation of the polytechnic.</td>
</tr>
<tr>
<td><strong>13 § Rector and vice-rector</strong></td>
<td></td>
</tr>
<tr>
<td>(2) The rector shall be appointed or engaged by the maintaining organisation of the polytechnic.</td>
<td></td>
</tr>
<tr>
<td>(4) The polytechnic may have one or more vice-rectors as decided by the maintaining organisation of the polytechnic.</td>
<td></td>
</tr>
<tr>
<td><strong>14 § Duties of a maintaining organisation</strong></td>
<td></td>
</tr>
<tr>
<td>In addition to the provisions laid down elsewhere in this Act, the duties of the maintaining organisation of a polytechnic shall be:</td>
<td></td>
</tr>
<tr>
<td>(1) to decide on the polytechnic’s strategic development;</td>
<td></td>
</tr>
<tr>
<td>(2) to decide on the polytechnic’s action and economic plan and budget;</td>
<td></td>
</tr>
<tr>
<td>(3) to make a proposal to the Government to change the polytechnic’s educational mission; and</td>
<td></td>
</tr>
<tr>
<td>(4) to appoint, where necessary, a delegation for the polytechnic.</td>
<td></td>
</tr>
</tbody>
</table>
--- | ---
**Funding**
21 § State grant for investments
22 § State grant for operative costs
23 § Extra state grant

**External funding**
A polytechnic may accept contributions and donations for its activities. In state run polytechnics the acceptance, management and use of contributions and donations is regulated by a decree.

**Funding**
32 § Core funding

33 § Project and performance-based funding and funding for common polytechnic expenditure

34 § Financing of vocational teacher training

36 § Other sources of funding
The maintaining organisation of a polytechnic may accept contributions and donations for development of the polytechnic and its operations.

In accordance with Section 8, Subsection 2 of the Polytechnics Act (351/2003), the AMK, maintaining body, and the Ministry of Education have agreed the following on the targets to be set for the AMK.

1. Result analysis
Result analysis for the operation of AMK in 2002.

3. Purpose of the AMK
AMK operates in one of the most competitive regions in the world – the Helsinki metropolitan area. The area has a considerable concentration of institutions of higher education, research institutes, innovative companies, and other actors in the national innovation system, linked by both formal and informal networks. Due to the challenging nature of the innovation environment, the development of knowledge requires further specialisation of the actors within their areas of expertise and the creation of co-operation networks.

AMK’s strategic intent is to be a recognised expert in networking processes. AMK’s purpose in developing its area of operation is, in accordance with its licence, to act as a provincial multi-faculty AMK for the entire metropolitan area. AMK fulfils this purpose by bringing together teaching, research, and development activities with regional development schemes. Each task is equally valuable, but the resources devoted to the tasks that are part of the various AMK activities differ.

Development targets:

The stakes are the highest in teaching. The most important development activity is the enhancement of teaching by means of improving quality, particularly by reducing completion times and decreasing the number who do not complete their studies. The resources thus released are allocated to the development of the three above-mentioned tasks, the establishment of the AMK’s role in the regional innovation system, and the increase of research and development activities to promote this.

Focus and profiling:

In terms of its subjects of expertise, AMK focuses on welfare, business, ICT, and sustainable development. Within the larger higher education system of the metropolitan
area, AMK is an example of an establishment that produces innovations within the workplace and transfers skills efficiently.

4. Structural development

Network of locations:

It was decided in Espoo to, starting from 2004, incorporate all AMK education into the Leppävaara–Otaniemi innovation zone and the ‘science belt’ in the greater Helsinki area and to concentrate most upper secondary education in Espoo Centre as part of the development of the centre. This enables the concentration of AMK’s operations in two campuses in Espoo. A similar solution is being sought in other parts of the metropolitan area as well. The starting point for this is synergetic interaction between AMK and other innovative development organisations in the region as well as the ensuring of a sufficient amount of critical mass to ensure convincing expertise within the institutes and the concentrations of expertise around them. The efficiency of AMK’s internal network, and the transfer of expertise in particular, is thus boosted in line with the region’s principle of interactive operation. The unit from Koivukylä, Vantaa, is being moved to the Tikkurila higher education campus in 2005. In addition, the creation of the East Uusimaa campus in Porvoo is being promoted in co-operation with other institutes of higher education.

Division of duties with other AMKs and universities:

Co-operation in the western and northern areas of the metropolitan area is being carried out with Sydväst AMK and Häme AMK, aiming at an increased impact on regional development. Knowledge centres in the software business and in lifting and transport are examples of our co-operation with universities, in which the scientific and technological expertise of the universities is combined with AMK’s expertise in working life to create and promote innovation.

Significant reallocation of educational supply and resources, in a shift of operations’ focus:

Creation of new enterprises and support of innovation require enhancement of the internal network, which is achieved by means of improving the educational structure and supply. The prediction information received via networks related to areas of expertise is utilised in this process. The main principle is the ‘duplication’ of training products across the various parts of the metropolitan area. Concrete examples of this include the increased focus of the Hyvinkää business and administration unit on business economics, the increase in the number of starting-level positions in the health field, the decrease in the number of starting positions in the cultural arena, and the
duplication of training in nursing. In addition, a principle is being utilised whereby the ‘product development’ of new degree programmes is based on special studies or other more extensive study programmes. The AMKs in Uusimaa work together to improve the balance of the entire country’s education supply, taking into account, for example, changes in the demand for labour and demographics.

6. Development targets

a) Development of teaching

The average duration of studies is to be reduced (the target is 3.9 years for the training of young people) and the number of leavers decreased (the target is to bring the number below the national average) by integrating the three tasks such that the emphasis in regional development projects, R&D activities, and traditional teaching varies in accordance with the needs of different categories of learners. In practice, this means the innovative development of our own activities – e.g., the creation of different learning environments and the enhancement of project-based learning. The development of teaching is carried out in interaction with the regional innovation system.

In order to shorten completion times, the thesis process is being developed by making guidance more systematic and by increasing the number of thesis series related to large projects. To develop traineeship, AMK creates its own system for R&D trainee positions to supplement the supply of traditional trainee positions. The AMK provides all students with the opportunity to include studies undertaken through the virtual AMK portal in their degree.

b) Regional development

AMK follows the co-operation strategy for regional development in the metropolitan area as outlined in the letter of intent for joint regional development work by universities and AMKs. AMK participates in the following lines of action in the preparation of the strategy for institutes of higher education in the metropolitan area: increasing the international competitiveness and attractiveness of the area and enhancing, in particular, the innovation activities of key knowledge- and information-intensive fields as well as the innovation chain. International co-operation is continued, especially the Baltic Palette, as part of the development of the Northern Dimension action plan, and the strengthening of co-operation among institutions of higher education.

In accordance with AMK’s regional development strategy, the metropolitan area is viewed as consisting of the greater Helsinki area and five regions that can be considered regional centres. AMK’s regional development objective is the development of these regions in
mutual interaction. AMK’s special task is to secure the transfer of knowledge originating from universities, other institutions of higher education, and research institutes to regions in the metropolitan area with the desired emphasis. This task influences the creation of AMK’s co-operation networks with institutions of higher education.

The goal is that, at the end of the agreement period, AMK’s locations in the municipalities covered by the framework constitute a regional knowledge campus (network BA) and that three of them have a mutually interacting knowledge centre satellite as indicated in the national knowledge centre programme. The challenge in AMK’s regional development work is the strengthening of innovations within the workplace.

c) Internationalisation

Operational principle and development focus:

While the metropolitan area is highly innovative according to Finnish competitive standards, it is pocket-sized when international comparisons are made. For this reason, the area should present itself as part of a larger entity, the Baltic Sea region. The objective of AMK’s international operations is thus to produce Northern Dimension knowledge in line with the Baltic Palette, with an emphasis on four of the most important areas of focus for the competitiveness of work in the metropolitan area. The first stage includes the strengthening of the network of co-operation with institutes of higher education, companies, and other organisations in metropolitan areas in the Baltic Sea region as well as the development of the Northern Dimension by combining AMK’s Baltic, Nordic, and Russian knowledge into a single entity. Building on previous co-operation projects, the objective is to increase the number of degree and exchange students and teachers from Russia and the new EU member states in the Baltic Sea region and to develop co-operation networks and knowledge. AMK’s Northern Dimension knowledge allows it to achieve a convincing role and position in the knowledge networks of European institutes of higher education and pioneering companies and other organisations.

The goal is for, by 2010, the co-operation between institutes of higher education in the metropolitan area to result in a Northern Dimension knowledge centre that attracts new expertise and new experts to the country. With these objectives and actions, AMK aims to realise important development strategies for the operational environment as regards international operation. We will also monitor other international challenges and participate in development in the associated areas as necessary. The realisation of AMK’s objectives for the mobility of persons is based on the above strategy.

The goal is for the number of students leaving for student or trainee exchange for more than three months each year to be 30% of the number of starting positions available.
in the education of young people. The number of foreign students coming to Finland for student or trainee exchange for more than three months is 10% of the number of starting positions in education for young people.

d) Staff development

During the agreement period, AMK’s staff development focuses on the following: the development of substantive knowledge, the maintenance of a good degree standard, and the development of functional knowledge related to the integration of the three tasks. The most important actors in the development of substantive knowledge are AMK’s networks related to the various areas of expertise, which realise new innovations as well as knowledge and prediction information by means of informal interaction between experts.

The core of the networks related to areas of expertise consists of senior teachers with a post-graduate degree and lecturers, and AMK’s teachers participate in them. The expertise of the working life and higher education network outside AMK is linked to these networks. The maintenance of a good degree standard is ensured by continuing the co-operation programmes aimed at improving the level of post-graduate degrees as well as the support of research undertaken with universities. The integration of the three tasks is a demanding challenge that requires support for the staff. The challenge is answered by introducing the ‘learning in projects’ PD programme.

Target educational level at the end of the agreement period:
1. senior teachers: 100% licentiates or doctors
2. lecturers: 10% licentiates or doctors, 86% with a higher university degree

7. Resources

a) Basic funding and project funding

Provided that the number of euros the administrator of the AMK grants for the AMK’s operating costs in 2004–2006 is equal to the unit price multiplied by the number of students, the Ministry of Education shall provide the AMK with project funding as follows:

Total for the support programme
- Training for the teaching staff
- Internationalisation
- Library and information services
- Development of information networks and network learning environments
- Career and recruitment services

Research and development
- Participation in content production circles as part of the national virtual AMK
- Support of traineeship
- Joint applications

Common AMK projects
- Baltic Sea region AMK network for sustainable development
- Analysis project for virtual AMK portal services

Regional development projects
- Preliminary analysis for the preparation of a regional research and development programme for wellness entrepreneurship
- Development of regional innovation systems in Uusimaa and East Uusimaa

**Total project funding**

The total amounts of government subsidies for the above-mentioned projects are as follows:

- support programme and traineeship: max. 80% of the total expenses of the project
- other projects: max. 60% of the total expenses of the project

*b) Support funding for open AMK teaching*

In 2004, the Ministry of Education granted *** euros to the AMK for the arrangement of open AMK teaching.

c) **Performance-based funding**

The Ministry of Education is prepared to grant a total of *** euros annually in 2004–2006 to the AMKs with the best evaluation results in terms of general performance-based criteria, on the basis of criteria for centres of excellence in teaching in 2005, and on the basis of highest-level criteria for influence on regional development in 2006.

d) **External funding**

It is an objective of AMK that 10% of its operational income comes from other sources than the above-mentioned basic funding and other funding from the Ministry of Education. It is also a AMK objective that the proportion of external funding for research
and development of operational income increase to 3% during the agreement period. The AMK’s preliminary plan concerning EU Structural Fund projects to be initiated in 2004 is included in Appendix 2.

8. Monitoring and reporting

The realisation of the targets and other objectives set forth in this agreement is assessed annually during the target negotiations. The AMK undertakes to develop the AMKOTA information system and use the OPALA student feedback system.

The Finnish Government shall approve the education and research development plan for 2003–2007 after the signing of this agreement. If the development plan creates a need to change this agreement, the necessary changes are to be agreed on via the first supplementary protocol. If the total number of starting positions in all AMKs, the annual number of students in adult education, or the number of starting positions in teacher education is changed in the state budget during the agreement period, any changes are to be agreed on through annual supplementary protocols.

In addition, the granting of project funding requires that the parliament make the necessary appropriations. The Ministry of Education shall agree separately on the granting of funding. Also, in order for the agreement to come into force, maintaining body must make the above-mentioned appropriations to the AMK.

The funding of the EU Structural Fund programmes shall be agreed on separately. The projects are to be carried out within the limits determined by the AMK’s licence and the Ministry of Education’s decision on the confirmation of degree programmes.
APPENDIX 6. Authorisation levels of the case study institutions

1) Case study institution P1 run by a foundation

<table>
<thead>
<tr>
<th>Who</th>
<th>Annual budget</th>
<th>Procurement</th>
<th>Borrowing</th>
<th>Leases/Contracts</th>
<th>Capital programmes</th>
<th>Staff appointments</th>
<th>Establishment of vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundation board</td>
<td>Final approval</td>
<td>Over 100,000 eur or are in general significant for the AMK</td>
<td>Final approval</td>
<td>Over 100,000 eur or are in general significant for the AMK</td>
<td>Final approval</td>
<td>Rector</td>
<td>Senior management staff</td>
</tr>
<tr>
<td>CEO</td>
<td></td>
<td>Within a framework set by the foundation</td>
<td>Within a framework set by the foundation</td>
<td>Within a framework set by the foundation</td>
<td></td>
<td>Other management staff</td>
<td>Other staff</td>
</tr>
<tr>
<td>AMK board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rector</td>
<td>Approval to budget departures</td>
<td>Up to 100,000 eur</td>
<td>Up to 100,000 eur</td>
<td></td>
<td>Other staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice rector</td>
<td></td>
<td>Up to 25,000 eur</td>
<td>Up to 25,000 eur</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial director</td>
<td></td>
<td>Up to 25,000 eur</td>
<td>Up to 25,000 eur</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Departmental director</td>
<td></td>
<td>Up to 10,000 eur</td>
<td>Up to 10,000 eur</td>
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</tbody>
</table>
2) Case study institution P2 run by a limited company

<table>
<thead>
<tr>
<th>Who</th>
<th>Annual budget</th>
<th>Procurement</th>
<th>Borrowing</th>
<th>Leases/Contracts</th>
<th>Capital programmes</th>
<th>Staff appointments</th>
<th>Establishment of vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company board</td>
<td>Final approval</td>
<td></td>
<td>Final approval</td>
<td>Final approval of financially significant contracts</td>
<td>Final approval of financially significant capital programmes</td>
<td>Rector/CEO Senior management staff</td>
<td>Senior management staff</td>
</tr>
<tr>
<td>AMK board</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Principal lecturers and senior lecturers</td>
</tr>
<tr>
<td>Rector/CEO</td>
<td>Transfers between the units or between different operative cost items within unit</td>
<td>Over 40,000 eur within the limits of the budget</td>
<td></td>
<td>Over 80,000 eur within the limits of the budget</td>
<td></td>
<td>Senior staff and other permanent staff</td>
<td>Other staff that does not belong under the authority of company board or AMK board</td>
</tr>
<tr>
<td>Vice Rector</td>
<td>Below 15,000 eur within the limits of the budget</td>
<td></td>
<td></td>
<td>Below 30,000 eur within the limits of the budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Director</td>
<td>15,000 – 40,000 eur within the limits of the budget</td>
<td></td>
<td></td>
<td>30,000 – 80,000 eur within the limits of the budget</td>
<td></td>
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<td></td>
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<tr>
<td>Departmental Director</td>
<td></td>
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</tr>
</tbody>
</table>

Procurements on teaching services: CEO/rector over 50,000 eur or when permanent contract, Vice Rectors 25,000 – 50,000 eur, Departmental Directors: below 25,000 eur
3) Case study institution M1 (municipal enterprise) run by a local authority

<table>
<thead>
<tr>
<th>Who</th>
<th>Annual budget</th>
<th>Procurement</th>
<th>Borrowing</th>
<th>Leases/Contracts</th>
<th>Capital programmes</th>
<th>Staff appointments</th>
<th>Establishment of vacances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>Final approval</td>
<td></td>
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</tr>
<tr>
<td>Board</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Board of management</td>
<td></td>
<td></td>
<td>Within the limits of the budget</td>
<td>Building investments</td>
<td>Rector</td>
<td>Official posts within the limits of the budget</td>
<td></td>
</tr>
<tr>
<td>AMK board</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Rector</td>
<td>Allocation tables</td>
<td>Over 9,000 eur within the limits of the budget</td>
<td>Over 9,000 eur within the limits of the budget</td>
<td>AMK staff</td>
<td></td>
<td>AMK vacancies (other than posts under public law)</td>
<td></td>
</tr>
<tr>
<td>Vice Rector</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Financial Director</td>
<td>Under 9,000 eur</td>
<td>Over 9,000 eur within the limits of the budget</td>
<td>Under 9,000 eur</td>
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</tbody>
</table>
4) Case study institution M2 run by a joint local authority

<table>
<thead>
<tr>
<th>Who</th>
<th>Annual budget</th>
<th>Procurement</th>
<th>Borrowing</th>
<th>Leases/ Contracts</th>
<th>Capital programmes</th>
<th>Staff appointments</th>
<th>Establishment of vacancies</th>
<th>Establishment of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>Final approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Final approval</td>
<td>AMK’s rector (Charter)</td>
<td>AMK’s vacancies (Charter)</td>
</tr>
<tr>
<td>Board</td>
<td></td>
<td></td>
<td>Within the limits of the budget</td>
<td></td>
<td></td>
<td></td>
<td>Directors of study fields</td>
<td></td>
</tr>
<tr>
<td>Executive Rector of the joint local authority</td>
<td></td>
<td></td>
<td>Permanent leases out and in</td>
<td></td>
<td></td>
<td></td>
<td>Rectors’ Office’s staff</td>
<td></td>
</tr>
<tr>
<td>Financial Director</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Under 100,000 eur within the limits of budget</td>
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</tr>
<tr>
<td>AMK board</td>
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<td></td>
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<tr>
<td>Rector</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Other AMK staff</td>
<td></td>
</tr>
<tr>
<td>Heads of profit centres</td>
<td></td>
<td></td>
<td>Under 50,000 eur within the limits of budget allocation able agreed by the board of the joint local authority</td>
<td></td>
<td></td>
<td>Under 50,000 eur within the limits of budget allocation table agreed by the board of the joint local authority</td>
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</tr>
</tbody>
</table>
5) Case study institution M3 run by a local authority

<table>
<thead>
<tr>
<th>Who</th>
<th>Annual budget</th>
<th>Procurement</th>
<th>Borrowing</th>
<th>Leases/Contracts</th>
<th>Capital programmes*</th>
<th>Staff appointments</th>
<th>Establishment of vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>Final approval</td>
<td>Main principles</td>
<td>Final approval</td>
<td></td>
<td></td>
<td>Rector</td>
<td></td>
</tr>
<tr>
<td>Board</td>
<td></td>
<td>Within the limits of the budget</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Senior management staff</td>
<td>AMK’s vacancies</td>
</tr>
<tr>
<td>AMK board</td>
<td>Over 85,000 eur</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Defining new permanent employments</td>
</tr>
<tr>
<td>Rector</td>
<td>Up to 85,000 eur (AMK board approves the authorisation level)</td>
<td></td>
<td>Rector if not regulated otherwise</td>
<td></td>
<td></td>
<td>Other permanent staff</td>
<td></td>
</tr>
<tr>
<td>Financial Director</td>
<td>Up to 17,000 eur</td>
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</tbody>
</table>

* Decided between the partners of the maintaining agreement
6) Case study institution M4 run by a local authority

<table>
<thead>
<tr>
<th>Who</th>
<th>Annual budget</th>
<th>Procurement</th>
<th>Borrowing</th>
<th>Leases/Contracts</th>
<th>Capital programmes</th>
<th>Staff appointments</th>
<th>Establishment of vacancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Council</td>
<td>Final approval</td>
<td>Final approval</td>
<td>Final approval</td>
<td></td>
<td></td>
<td>Rector Vice rectors</td>
<td></td>
</tr>
<tr>
<td>Board</td>
<td>Budget allocation tables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Rector</td>
<td></td>
</tr>
<tr>
<td>AMK board</td>
<td>Over 50,000 eur</td>
<td>Over 50,000 eur</td>
<td></td>
<td>Over 50,000 eur</td>
<td>Senior management staff</td>
<td>All AMK's vacancies within the limit of the budget</td>
<td></td>
</tr>
<tr>
<td>Rector</td>
<td>Up to 50,000 eur</td>
<td>Up to 50,000 eur</td>
<td></td>
<td></td>
<td>Other staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vice Rector</td>
<td>Up to 20,000 eur</td>
<td>Up to 20,000 eur</td>
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