Finland – university mergers and institutional profiling

One of twelve case studies produced as part of the project on Structural Reform in Higher Education (EAC-2014-0474)

April 2016
Europe Direct is a service to help you find answers to your questions about the European Union.

Freephone number (*):
00 8006 7 89 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).


doi: 10.2766/118884

© European Union, 2016

Reproduction is authorised provided the source is acknowledged.
Table of contents

Introduction 4
Finland – university mergers and institutional profiling 5
   Introduction to the structural reform and its main goals 5
   Context and background of the reform 6
   Design process for the reform 6
   Policy instruments used 8
   Implementation of the reform 9
   Monitoring, evaluation and feedback 9
   Important changes in the context for the reform 9
   Achievements and effects 10
   Summary 11
   Interviews 12
   References 12
Introduction

This case study is part of the “Structural Higher Education Reform – Design and Evaluation” project, commissioned by the European Commission (EAC/31/2014). The main objective of this project – carried out by the Center for Higher Education Policy Studies (CHEPS), University of Twente, the Netherlands, and the Centre for Higher Education Governance Ghent (CHEGG), Ghent University, Belgium - is to investigate policy processes related to the design, implementation, and evaluation of structural reforms of higher education systems. The focus is on government-initiated reform processes that were intended to change the higher education landscape, with the following questions foremost: What kind of goals were envisaged with the structural reform? How was the structural reform planned and implemented? What have been the achievements of the structural reforms? How can these achievements be explained in terms of policy process factors?

Three types of reform were distinguished: reforms designed to increase horizontal differentiation (developing or strengthening new types of higher education institutions such as the creation of a professional higher education sector), reforms designed to increase vertical differentiation (bringing about quality or prestige differences between higher education institutions, e.g. by creating centres of excellence) and reforms designed to increase interrelationships between institutions (supporting cooperation and coordination among institutions, forming alliances or mergers). In total, structural reforms in twelve different countries (eleven in Europe, one in Canada) were investigated: Austria, Belgium (Flanders), Canada (Alberta), Croatia, Denmark, Finland, France, the Netherlands, Norway, Poland, Spain, United Kingdom (Wales). The twelve case studies – for ease of reference published as separate documents - all follow the same logic and are presented in a similar format, with sections relating to the reform and its context, policy goals, policy design, policy instruments, policy implementation, policy evaluation and goal achievement.
Introduction to the structural reform and its main goals

International attractiveness of the Finnish higher education institutions was one of the key concerns of Finnish higher education policy at the turn of the century. The strategic goal was stated in the government programme of the second cabinet of Prime Minister Matti Vanhanen (2007-2011): ‘to increase productivity, efficient production, employment and economic growth. These aims can be achieved by strategic inputs in high-level expertise and clusters of excellence. In the area of higher education, the government concentrates on increasing ‘world-class expertise’ and creating ‘higher education entities that are regionally stronger and more effective in terms of knowledge’ (Prime Minister’s Office, 2007).

Mergers and profiling of higher education institutions were prominent operational goals:

- Stronger units, achieved by reorganising the higher education sector to concentrate resources on fewer but larger units (this explains the rationale to design and implement mergers).

- Institutions with stronger profiles, to be achieved by reducing the overlaps between institution’s educational and scientific offers. In terms of policy actions this means mergers and institutional profiling in all universities through target and performance agreements.

- Universities that offer education and conduct research in multiple fields. This is a national policy objective which makes it clear that the basic structures of universities with research and education as the basic missions will not be changed.

- Maintain a dual model of universities and polytechnics, an important national policy statement.

- Closer collaboration between universities and polytechnics, especially in meeting regional needs. In the capital region and in larger cities collaboration was intended to develop internationally competitive centres for science and technology. (OPM 2006).

The calls for profiling and strengthening certain centres of excellence reflect an implicit goal of differentiation and stratification of universities. Documents do not explicitly state the aim of improving the international ranking position of Finnish universities. This is, however, implied by the reference to ‘world class’.

The instrumental goals of reducing the number of universities from 20 at the time of policy formulation to 15 by 2020 was operationalised in reports, all published in February 2007, of three working groups established by the Ministry in October 2006.

---

1 This summary was drafted by Don F. Westerheijden, Center for Higher Education Policy Studies, University of Twente, the Netherlands on the basis of the (longer) case study report written by Terhi Nokkala and Jussi Välimaa, Finnish Institute for Educational Research, University of Jyväskylä.
to investigate the potential to enhance collaboration between universities in Eastern Finland, Turku and the Helsinki region.

No other options were openly considered by the government. In public debate, the focus was on resistance against the Universities Act as it was being developed. Mergers were not very much debated in public with the exception of Aalto University, founded through mergers in 2010, but were strongly resisted by the students of the University of Arts and Design. However, the rectors of all merging universities strongly supported the mergers.

Context and background of the reform

In 2000 the higher education system in Finland consisted of two sectors, 20 universities and 29 polytechnics. All institutions were publicly funded and governed as public institutions.

In the Finnish welfare society, egalitarianism, solidarity and continuity are key values. In Finnish higher education, expansion to guarantee access to youth in all regions of the large but mostly sparsely populated country led to a regional policy for universities that has dominated since the 1960s. As Välimaa (2012, p. 104-105) noted: ‘Within a period of 30 years the Finnish higher education institutions spread throughout the country, and Finnish higher education expanded into a mass and even a universal higher education system’. This latter phase was reached in the 1990s, when the sector of polytechnics was established, based on the older upper secondary level educational establishment focusing on nursing, business, culture and social work and technical fields, which were upgraded and merged to form the new polytechnic sector in the early 1990s. Currently, about 80 per cent of every age cohort has a starting place in higher education.

An important contextual change was the emergence of globalisation as topic of public debate in Finland at the turn of the millennium. According to Välimaa (2012) the consciousness of increasing international competition and economic globalisation prepared the way for Finnish higher education reforms in the early 2000s. The emphasis was rooted in the economic recession of the 1990s and in the later success of Finnish IT companies in the global marketplace. The conviction of the importance of the high quality of universities and polytechnics for improving the economic competitiveness of Finland and Finnish enterprises was widely spread. The same line of reasoning continued in the reports preparing the university mergers and the new universities act (Välimaa, 2012).

Age cohorts were expected to shrink, so downsizing the sector was deemed prudent in some fields (Tirronen & Nokkala, 2009). The views on this varied, and for example the Confederation of Finnish Employers and Industry, in its statement on the Research and Development Programme 2007-2011 called for more study places in some fields (EK, 2007).

Design process for the reform

The previous policy of spreading smaller higher education institutions around the country was criticized in the Brunila report, commissioned by the government (VNK 2004). Focusing on the challenges Finland faced to maintain its global competitiveness, the report argued that the number of small and regionally spread units were an inefficient use of resources. Instead, spearhead institutions, and in particular a world-class university, were needed. The same argumentation was continued in a report commissioned by the Ministry of Education, proposing that
there should be both regional (teaching oriented universities) and global (research oriented) universities (OPM 2004).

In response, the Finnish government called for a large-scale reform of the Finnish innovation system in its decision for structural development of the public research system in 2005. The decision also contained provisions for the higher education sector. In March 2006 the Ministry of Education and Culture (MEC) announced a discussion paper on the structural development of higher education, aiming to enhance the quality, competitiveness and effectiveness of higher education and research. Its central instruments comprised: reorganising resources; creating stronger units; advancing the differentiation of higher education institutions; cutting overlaps; and creating larger entities (OPM, 2006, 2008a, Tirronen & Nokkala 2009, p. 224).

The Ministry’s paper changed the agenda from regional equity to creating a differentiated higher education system including globally competitive ‘stronger units’. Researchers commented: ‘Stratification is a fairly new phenomenon in the Finnish university system, which has traditionally emphasised equality and cohesion. There have been few status differences (which existed primarily amongst specialised universities) between a few older universities and the 1960s ‘regional’ universities or between universities and polytechnics. The status differences have, in general, been stronger between disciplines and programmes. Now this tradition of ‘equal but different universities’ is breaking down. Current policy aims to create clusters of expertise and fields of knowhow by strategic resource allocation’ (Tirronen & Nokkala, 2009, p. 224).

In connection with preparations for the performance negotiation round of 2007, in spring 2006 the Ministry of Education asked the universities to make suggestions to the Ministry for structural development. The deadline for the proposals was the end of August 2006 (Tirronen, 2008). The Ministry of Education then appointed a planning group for each merging/federating/cooperating entity, according to the results of the negotiations between the Ministry and the universities in question; and the planning groups closely followed the specifications of the Ministry, which then further steered the process in the desired direction. In the case of Aalto University, the business sector’s role as an influential stakeholder should be noted. Some of the most influential companies were worried about the universities’ ability to implement changes. Therefore, the companies’ demand for reform was clearly articulated to the authorities (Sallinen, personal communication).

Institutional implementation of the mergers began after the political decision was made. There were heated debates on the usefulness of the merger to form Aalto University before the political decision, but practically no debate after the decision was made. In a consensus-seeking society like Finland, implementation is understood normally as an administrative rather than a political process. Because of local differences, it was self-evident that the Ministry of Education could not play an active role in the practicalities of the mergers. As one of the former rectors and national policy makers has emphasised, Finnish universities are independent entities which have freedom to organize their internal activities according to their own strategies. Therefore, the success of both mergers and profiling is largely dependent on the institutions’ ability to implement changes, although the original impetus came from the Finnish government and the State still has the potential to steer processes through performance negotiations conducted with the Ministry of Education.
The beginning of the mergers was clearly indicated by the Ministry of Education. However, there were no clearly stated deadlines for implementing the mergers, just an indirect message that funding for the mergers was only available between 2007 and 2010. There were no serious delays in the implementation processes.

The mergers coincided with the preparations and implementation of the Universities Act (558/2009). The mergers were supported by the Universities Act, which gave more autonomy to the HEIs, but made them into more complex processes because of the simultaneous implementation of these two major changes to Finnish higher education.

**Policy instruments used**

The policy instruments used in the merger and profiling reform consisted of information, regulation, and programme funding, in increasing order of importance.

*Information (advice)*: The Ministry of Education negotiated with the potential merging universities before the Ministry made its decisions on the mergers to be designed by the policy design groups.

*Regulation*: Regulation refers to target and performance agreements through which the Ministry of Education supported the merging universities, and to a fixed-term law which enabled Finnish citizens and companies to get tax reductions for donating money to universities. Most importantly, this temporary regulation was meant to raise private donations of €200 million, which was the Government's condition for the allocation of €500 million from the state budget to Aalto University. Finally, the Universities Act of 2009 was a vital part of regulation. As all universities are named in the Act, creation of new units would have to be consolidated in the law. Similarly, the establishment of Aalto as a foundation university also required a change to the Universities Act. The ownership of university real estate was entirely rearranged. The university real estate previously owned by the state was transferred to three companies: Aalto University Properties Ltd; Helsingin yliopistokiinteistöt Oy (University of Helsinki and the University of Arts Helsinki) and the University Properties of Finland Ltd (the remaining universities); with the universities owning two-thirds and the state owning one-third of the shares. In 2015, the universities in question bought the state shares in the Aalto and Helsinki companies (Lehikoinen, personal communication).

*Programme funding*: Refers to additional funding for universities which were either designing mergers by themselves or had merged. As an example of the former, the university alliance between the Universities of Jyväskylä, Tampere and Tampere University of Technology received €6.1 million in 2008 and 2009 after which the plans for this university alliance gradually subsided. The merging universities also were given extra funding during the implementation processes. The universities of Kuopio and Joensuu (University of Eastern Finland) obtained €12.6 million over a four-period (2007-2010). The merger of the University of Turku and Turku Business School received €13.4 million over the same four-year period. Aalto University received €13.9 million for merger costs over the same years (see performance agreements between universities and Ministry of Education 2007-2010). Additionally, Aalto University received extra annual funding from the state budget, altogether €405 million in 2009-14, for the development of the University. At its

---

2 The revenues of this total sum are now being used for running the University, together with the annual government subsidies based on the performance contract (Virtanen, personal communication).
highest point, the annual additional funding was €90 million (Lehikoinen, personal communication). The merger and the extra funding were justified with reference to the national mission of the University in developing the competitiveness of Finnish business sector, especially the technology industry which is responsible for a major part of Finnish exports. More recently, Aalto University’s special status has been withdrawn and extra funding has been available for all universities on a competitive basis as part of their general funding (Virtanen, personal communication).

Implementation of the reform
The main actors of the implementation were the Ministry of Education and the universities concerned.

At the national level, the implementation of the mergers took place through regular policy instruments and processes. The main instrument was the annual target and performance agreement negotiation procedure. The Ministry of Education supported merging HEIs through this instrument by allocating more money to support the mergers and to overcome potential difficulties. At the same time, however, the steering process was slightly changed. The MEC established, for example, a practice of visiting all universities as part of performance negotiations, and giving written feedback to the universities on their previous year’s activities. The strategic element in the funding model was later emphasised (Lehikoinen, personal communication).

The universities to be included in the mergers was negotiated between the Ministry of Education and the universities. However, the Ministry did not interfere with the practicalities of the mergers because universities were and are autonomous institutions, an autonomy increased through the Universities Act. The decisions on the practicalities therefore rested on the shoulders of the universities concerned.

There were no serious delays in the implementation processes. This is true also because no exact deadline was set for the implementation. Only the starting point was agreed with the Ministry of Education. Resistance from implementers has not been reported.

Monitoring, evaluation and feedback
HEIs report annually to the Ministry of Education as part of the normal, regular steering processes through annual target and performance agreement negotiations. This reporting was not developed specially for the governance of merger operations: it has been a regular procedure since the 1990s.

The outcomes of the Universities Act were evaluated in 2012; however, this evaluation did not take the mergers take into account. The Ministry of Education and Culture has commissioned a large-scale evaluation of the structural reform in 2015, which is ongoing at the time of writing.

Important changes in the context for the reform
Globalisation and concern for Finland losing its competitiveness were the social context for making reforms in higher education. The Universities Act (558/2009), in turn, changed the status of universities by giving them more procedural autonomy and by separating universities from the state machinery and state budget.
As for external changes, the Bologna Process reforms had been practically completed in the Finnish higher education landscape by the beginning of the new millennium. Finnish governments have used OECD country reports to boost reforms in higher education. Indeed, the influence of OECD can be seen in the Universities Act and in the mergers. However, the OECD recommendations are normally translated into the Finnish context rather than being adopted literally (see Kallo 2009).

**Achievements and effects**

The operational goals of the structural reform have been achieved as a result of the reform policy. The three new universities that were envisaged have been successfully established. The structural reform strategy of 2006 envisaged that in 2020 there should be 15 instead of twenty universities in Finland. With the realisation of the three mergers, the number of institutions fell to 16, and with the later merger of the Sibelius Academy, The Academy of the Fine Arts and the Theatre Academy into Helsinki University of Arts, which took effect in 2013, the number of Finnish universities settled at 14. However, the three universities differed in their implementation phases. Both the University of Eastern Finland and Aalto University have, for instance, significantly reduced their costs and reorganised their internal structures as well as their management and decision-making systems, whereas the Turku School of Economics still has its own strategy in the context of the University of Turku (Sallinen, personal communication.)

The strategic goal of achieving better results in international rankings has been a partial success, differing across the two listed universities (Aalto and Eastern Finland) and differing according to the global ranking used (THE or Shanghai; between 2003 and 2013 Aalto rose in the Shanghai ranking and fell in the THE, for Eastern Finland the reverse is true). The general sentiment in Finland seems to be ambiguous as to whether Aalto University has met the – some may say unrealistically – high expectations associated with its establishment. However, changes in universities take time. One of the major objectives in the Aalto merger was to create a university that would adopt organisational practices resembling Anglo-Saxon university traditions, especially in human resources management (e.g., tenure track). This would contribute to international mobility and familiarity of the working environment. The University has been the first (and only) Finnish university to adopt the tenure track practice as the sole recruitment procedure for entering professorial positions. Another objective was to create fruitful and cross-disciplinary encounters between academic staff and students from all the three fields of technology, business, and arts and design. This objective included the establishment of a common campus, realised in 2015, as all BA-students now share the same campus in Espoo Otaniemi. The University has also aimed to contribute to developing new forms of interaction between Finnish industry and the University in pursuing innovative research and development based on open innovation (Virtanen, personal communication). The newly merged university has also experienced a lot of international interest (Lehikoinen, personal communication).

The strategic goal of profiling universities has not been achieved. The main problem for effective profiling is that universities tend to imitate successful universities rather than seek a strategy or niche different from others. Additionally, in research terms ‘unproductive disciplines’ (at least as they are measured by the global league tables) are often needed to complete the teaching provision of universities. This is related to the fact that Finnish students are allowed to include in their curricula
some courses from other faculties and disciplines in addition to those courses regulated by their home faculty (and discipline). The Finnish higher education landscape has changed because Aalto University has introduced new concepts and policies (such as the aforementioned tenure track) which have challenged other Finnish universities to develop their recruitment policies.

In order to be able to thoroughly analyse the impacts of the mergers, detailed data should be available concerning joint strategy, restructuring of research and education, synergy benefits, budgetary impacts, academic services, and human resources policies (particularly recruitment). It is always a danger that in a merger the main changes take place in central administration and have little effect on the academic unit level (Sallinen, personal communication). Due to the lack of objective scientific research, we do not have the details on what exactly has happened inside merged higher education institutions.

A potential side effect may have occurred. Whether as direct result of the mergers, or as a result of other factors in the operational context of the universities, the University of Eastern Finland as well as the Aalto University have gone through several rounds of staff layoffs.

**Summary**

The reform to join a number of universities was developed against the background of globalisation and the fear of losing Finland’s prominent position. Three groups of universities responded to the Ministry’s invitation to merge to become larger and stronger. Regulation was changed to enable additional programme funding (including private funding tax cuts) to support the process. The three mergers took place, more or less, in the shadow of a large University Act reform that increased autonomy of higher education institutions. The three mergers took place within the Ministry’s timeframe of 2007–2010. Profiling of universities, with some institutions developing centres of excellence in certain fields, did not materialise. Thus, operational goals were partially achieved. The strategic goal of changing the landscape towards more differentiation among universities does not seem to have been achieved, although a formal evaluation of the reform has not taken place. The binary system was maintained but more cooperation between the two sectors (also a policy goal) did not reappear in the policy debate.
Interviews
Ms Anita Lehikoinen, the Permanent Secretary of the Ministry of Education and Culture
Dr Turo Virtanen, secretary-in-chief for the Aalto University merger planning group
Prof. Aino Sallinen, Rector Emerita of the University of Jyväskylä and an active discussant in the Finnish higher education policy discussions.

References


HOW TO OBTAIN EU PUBLICATIONS

Free publications:

- one copy:
  via EU Bookshop (http://bookshop.europa.eu);
- more than one copy or posters/maps:
  from the European Union’s representations (http://ec.europa.eu/represent_en.htm);
  from the delegations in non-EU countries (http://eeas.europa.eu/delegations/index_en.htm);
  by contacting the Europe Direct service (http://europa.eu/europedirect/index_en.htm) or
calling 00 800 6 7 8 9 10 11 (free phone number from anywhere in the EU) (*).

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Priced publications:
