

## INSTITUTIONAL GOVERNANCE FROM THE PERSPECTIVE OF SUPERIOR EDUCATION IN THE REPUBLIC OF ECUADOR

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**Abstract:** *Institutional governance proposes a change in the balance between state and civil society, transferring the responsibility of the government, as main investor, to the public institution. In universities, the introduction of Institutional Governance principles should be considered as a partnership between all implied parties: management, academic body, employees, external environment.*

*The purpose of the current research is to analyze, from the perspective of institutional governance principles applied by the universities from developed countries, the possibility of efficiently adapting them in public institutions of higher education from the Republic of Ecuador.*

**Keywords:** *code, higher education, indicators, institutional governance, principles.*

### INTRODUCTION

From the perspective of public entities, institutional governance represents the system for managing and leading a public institution, characterized by the dissemination of responsibility for achieving the institution objectives between all its members. The function of institutional governance is to reduce the role of the state, as owner, in the actual management of public institutions. The interference of politics in higher education has to be gradually diminished, the later having the role of organizing and leading transparently, profitably and with integrity the social interests of citizens. At the same time, this will lead to the creation of an appropriate competition environment between public entities and the private sector. The distribution of responsibilities has into consideration the degree to which each member of the public institution is involved in achieving the set objectives.

### 1. CONTENTS

The OECD Principles of Corporate Governance were originally developed in response to a call by the OECD Council Meeting at Ministerial level on 27-28 April 1998, to develop, in conjunction with national governments, other relevant international organisations and the private sector, a set of corporate governance standards and guidelines[12].

These principles constitute a useful guide for elaborating and implementing a corporate governance Code, for each country, having as aim the improvement of legal and institutional framework for financial markets, guiding investors, companies and other interested parties.

The process of adapting these principles to the actual conditions of the higher education institutions from the Republic of Ecuador has to take into consideration the fact that the success of this process is directly linked to the traditions and culture of each country. [5]

### 2. METHODS

The study is based on the analysis of institutional governance principles, applied by the universities in developed countries, which consider “the Code as a vital defender of autonomy and a bulwark against external interference and over regulation”[8].

The role of governance is not limited only to the management, but governance [14] should be approached as a complex process of establishing long-term objectives of the higher education institutions (preparing for the competitive labour market, increasing the education level and the quality of work, research development and contributing to the increase of the standard of living by implementing a high level of knowledge) as well as implementing strategies for reaching those objectives.

The convergence between governance principles in use in Europe and the USA can constitute a good model for developing countries, without taking into consideration the necessity of adapting these to the conditions specific to each country. The strategies and policies built within the institution, implemented responsibly by the management, can have a positive effect over the economic performance of the entity and over the efficient use of public resources[15]. The general and specific objectives will be accomplished with reduced costs when responsibility is shared between all participants. The attention will be mainly directed toward coordination (ex-ante) and only secondarily toward control (ex-post).

The principles of European institutional governance: openness, participation, accountability, efficiency and coherence, are applied differently in European Union countries, in accordance to the legal, economic and social factors that influence the activity of the governance structures in each of them. The necessity for revising the governance structures in Europe [10] was generated by the requirements for increasing the quality of higher education. Although public authorities maintain a central role in regulating and controlling higher education, for the past years there has been a gradual change, meaning the fact that universities have developed their own self-governing methods, based on institutional independence. Thus, the French researcher Guillaume Biot-Paquerot proposes a stricter discipline within the decision factors of French universities, by transposing into practice the governance principles of the private sector[3], though, without introducing a specific code or model of institutional governance.

The Australian institutional governance policy underlines the fact that, for obtaining optimal results in policy development, program management and service providing, it is necessary to establish a policy for collaboration between government, non-governmental actors and universities [6]. The Australian institutional governance code, based on the strategic direction of the institution, builds a set of responsibilities and practices, policies and procedures through which its objectives can be attained[7], by the efficient use of resources.

At the same time, it emphasizes on the role of management in reinforcing the idea that institutional governance practices and procedures are very important for the entire institution, increasing thus the responsibility awareness of all parties involved in applying and using it in current activities.

USA Universities practice a governance and administration policy within which, generally speaking, they establish functioning and control rules for the following domains: the mission of the institution, fiscal stability and institutional policy [13].

It promotes meaningful faculty participation in institutional governance through the development of policy statements and reports related to shared governance and application of those principles to particular situations that are brought to its attention.

The staff is authorized to receive, on behalf of the committee, complaints of deviations from these standards and, where appropriate, to undertake formal investigations [2].

In the Japanese governance code, corporate governance does not refer only to the way in which an entity is lead and controlled, but also to a structure for transparent, fair, timely and decisive decision-making by companies, with due attention to the needs and perspectives of shareholders and also customers, employees and local communities [11].

This Code also has another provision which differentiates it from other codes, namely that, from a juridical point of view it is not being legally binding, thus the management has the choice of not complying to one of the governance principles, on the condition that it can provide a truthful explanation to the participants.

In addition, the Japanese governance code underlines the fact that its principles are only a model which has to be adapted by the entities, according to the specific state to which they belong.

The conclusion is, in fact, that the principles, policies and the basic framework of the institutional governance model which can be implemented in higher education institutions of a certain country have to be built in accordance with the traditions and culture of that particular country [12].

### 3. RESULTS

The principles of institutional governance, proposed by this study, are focused on the efficiency of funds usage in higher education institutions, following the trends of other world universities[1].

The eight principles, presented below, are based on the analysis of the degree of institutional autonomy and on the connection between financial market build in the relationships between government, non-governmental actors and public institutions of higher education of the Republic of Ecuador.

**3.1 Legal framework.** Ensuring an appropriate legal framework will allow the application of an efficient corporate governance system that will lead to the possibility of elaborating an Institutional Governance Code and disseminating it both in the public institution and in the external environment.

Within this Code the responsibilities of all implied parties will be established: academic body (polytechnic council), management, employees, shareholders, clients, creditor, providers, regulating authorities, mass-media, community and environment. In the same context, there is the possibility of introducing a model-framework for personalizing the politics and procedures, adapted to each institution.

**3.2 Transparency of information.** Clear politics and procedures will be established, which will have into consideration transparency of information, both within university and for the external environment, regarding: the entity objectives, short, medium and long-term, as well as the degree of achievement, at relevant terms (annually); the structure of the Polytechnic Council/ the functional organic structure; financial annual results, major planned investments and the state of execution of those in process, both physically and financially; the salary system in action and the possible compensation politics of activities with major impact on the university promoting in the external environment; the legal framework for functioning.

The degree of information transparency will consider the degree to which the awareness of this could affect the security of entity date.

For promoting an open policy toward the external environment, it will be made public the fact that there is classified information and that the internal decisions could suffer influences that cannot be entirely shared.

**3.3 Responsibility of Administrative Council.** Delimitation of rights and obligations of the Polytechnic Council regarding the coordination of the university mission and strategy, regarding the achievement of intended objectives, the mean for achieving those, establishing the level of risk for non-executing these, permanent monitoring and evaluation; naming / dismissing members of executive management, establishing their responsibilities, as well as the degree in which, the decisions taken, though well-thought of, had as an effect the partial, or even total, unfulfilment of objectives; the follow-through of institutional governance of policies and procedures; handling conflicts at management level. An Internal Regulation will be elaboration, which will contain the action plan necessary to the fulfilment of general and specific objective, in which office, department, compartment, etc. of the university. For each objective there will be specific indicators, based on which a scale of specific, measurable, accessible, realistic and time-efficient objectives will be built.

**3.4 Ethics.** The university implication in accomplishing the set objectives through: implementation of an Ethics Code, with the purpose of protecting its reputation; formulating clear and flexible procedures, for each position, action, employee, avoiding limitative, bureaucratic activities, as well as academic communication, difficult to understand for the common medium; monitoring the entity activity by following the Ethics Code and mentioning in the working contract of all employees the compulsory compliance to it.

**3.5 Independence.** Respecting employee rights, by introducing some procedures regarding: work discipline (rights and obligations deriving from legal prescriptions, collective and individual working contracts and internal regulations) and personnel integrity; freedom of opinion, especially for those who work in internal control and auditing departments; protection of the employees that signal deviances from legislation, internal regulations or financial frauds.

This context raises the issue of changing the Internal Regulations of universities, in order to harmonize their provisions with those existing in the Labour Code [4].

**3.6 Professionalism.** Reaching the set objectives will be accomplished with the help of qualified personnel and personnel employment will take into consideration compliance to the study criteria requested by the specific position.

The standard format of Curriculum Vitae will not include information that affects intimacy (age, gender, residence, sexual or religious affiliation, photos of the candidate).

Continuous training will be inscribed as an obligation of the Polytechnic Council toward its own personnel and will be implemented by inviting the employees to participate, at pre-established time intervals mentioned in internal Regulations, to free informing and training sessions, according to the specificity of their work.

This activity can take place within the university, with internal trainers, experts in their fields of activity, with guest professors from other university, specialists from authorized consultancy offices or others.

**3.7 Efficiency and efficacy.** Economic efficiency will be evaluated through the lens of the ratio between the expenditure for achieving the set objectives and the degree of achievement.

Economic efficiency will be realized by implementing an internal control system for the management, defined by building a working framework, ensuring that this is implemented within the entity and functions effectively.

Social efficiency will be established by analyzing the way in which the entity objectives will lead to the increase of social responsibility of the entity towards the environment in which it functions, with positive results over social life.

Efficacy will be analyzed according to the degree in which the internal control system of the management will be elaborated and permanently monitored, evaluated, adapted and updated by a Committee, named by the Polytechnic Council, with precise activity rules.

All universities must organize the internal and managerial control, to obtain reasonable assurance that the entity objectives will be achieved by: effectiveness and efficiency of operations; compliance with laws and regulations; safety and optimization of assets and liabilities; safety and integrity of information.

The first category refers to the basic objectives of the entity, including performance targets. The second category relates to compliance with laws and regulations that regulate the activity of the public entity.

The third category relates to the protection of resources against loss, misuse and damage due to wastage, abuse, improper administration, errors, frauds and irregularities.

The fourth category refers to the preparation of reliable financial and operational information.

**3.8 Internal auditing and control.** Internal control, which comprises internal auditing, will benefit from adequate procedures which would allow the auditors' freedom of opinion over the discovered results, inscribed in the control and auditing reports.

There will be procedures to limit potential abusive decisions, meaning that all reports will contain proof of noncompliance or infringement of the legislation signalled by auditors.

Financial and administrative activity will be inscribed in procedure manuals which will mainly follow, compliance with the legislation, internal regulations and the Institutional Governance Code approved by the university.

The focus will be mainly on ex-ante control, for correcting financial operations before their execution, in order to avoid waste, abuse and fraud.

In this respect, the institution will establish measures for separating the execution tasks from the control ones and for the rotation of employees with sensible tasks at a certain period of time (4-5 years).

#### 4. FUTURE WORK

In the future, the analysis of the implementation of institutional governance principles can be extended in the Republic of Ecuador, by elaborating some evaluation and monitoring indicators for the efficiency degree of these principles.

Within this context, the result of undertaking the established principles can be analysed, having as a purpose institutional autonomy and the engagement of the Academic Council regarding the quality of the public services offered.

Another indicator can track, through the lens of institutional governance indicators, the results of managerial competence and its direct impact over the public budget, the degree in which the investment resources are used.

The result of implementing the ethics code in the university can be also considered an indicator relevant for the implementation of institutional governance, by controlling corruption and fraud involving public resources.

#### CONCLUSIONS

The elaboration of an Institutional Governance Code, following these specific principles, will lead to an increase in the responsibility degree of the factors participating within Ecuador university; it will greatly ease the communication between all agents and their engagement in achieving the common objectives will lead to the consolidation of a partnership dedicated to students and useful for society.

The Institutional Governance Code, as a public document, will be communicated to all participants.

The manner in which good governance is applied and functions, in universities, can be assessed according to the result it had on reaching the general and specific objectives of a particular institution, on following the public sector legislation and complying with general principles of governance.

A good compliance program includes[9]: promoting an ethical culture, in the spirit of the law; establishing responsibilities through written documents; setting reference time lines regarding the achievement of objectives; written regulations on good governance policies within the institution; aligning governance policies with the general and specific objectives of the institution; reporting, at fixed dates, of the institution results.

The coherence and consistency in applying good governance principles adopted by universities will lead to improving the results intended and to adapting the objectives in conformity to the current changes that take place in developing countries.

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