Leadership and Strategic Management: keys to institutional priorities and planning*

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Introduction

Recent challenges for higher education institutions include changing demographics, reduced funding and increased scrutiny from the public sector (Leslie & Fretwell, 1996). In continental Europe, the three greatest challenges are expansion, diversification and massification (Sporn, 1999a). Moreover, there are clear signals of the influence of the market in the higher education sector (Dill, 2003; Goedegebuure *et al.*, 1994; Jongbloed, 2004). The evidence appears to be growing. The question is whether European academe is acknowledging it. Clearly, the higher education community needs to openly recognise and accept the market reality that exists. As noted by Newman and Couturier (2002, p. 1) after researching market forces in higher education worldwide for two years, '. . . the market has arrived in higher education. There is no turning back'.

A more reasonable position is to consider that, despite the fact that no true higher education markets have been implemented, governments are increasingly using 'market-type' mechanisms as instruments of public policy, which have strong effects over the higher education institutions. In the words of Dill (1997, p. 178): '[. . .] while the superiority of these instruments (market mechanisms) to traditional forms of government regulation are yet to be clearly demonstrated, the adoption of these new types of market policies will likely have significant impact upon academic systems'.

Some authors are clearly pro-market, demanding that higher education institutions focus their management needs in a more entrepreneurial manner. A book by Sporn (1999b) entitled *Adaptive University Structures* stresses the importance of an institution's adaptability to its environment. Specifically, the author suggests that adaptability is enhanced by entrepreneurialism, a differentiated internal organisational structure and a professional institutional management process. She adds that committed leadership is also essential to adaptability.

Therefore higher education institutions need to develop strategies. Leadership needs to step up and make proactive decisions about the directions institutions should take and the goals they should strive to achieve. As noted by Newman and Couturier (2002), higher education must assume personal responsibility for protecting its rightful role in society as a public good.

* This article is published in fond memory of James Taylor, whose recent passing was felt by all. James Taylor will be remembered as a great academic and a wonderful colleague and friend.

Salminen (2003, p. 66) advocates the need for higher education institutions to develop professional academic management. He states:

> Because of the massification of universities and the increased complexity of university decision-making, management processes are much more complicated than previously. Performance indicators, personnel policies and strategic choices have to be integrated in new ways into management processes and practices in each university.

This article will address the idea that before specific mechanisms of resource allocation are contemplated, an institution must establish that it has effective leadership which is capable of orchestrating a comprehensive institutional planning process. There is a logical sequence to this entire process.

Two of the authors conducted a nation-wide study of the extent to which Portuguese higher education institution (HEI) rectors and presidents understood and were participating in a planning process. A total of 61 HEIs were involved that included both public and private universities and polytechnic institutes. An extensive survey was administered to the chief executive officers (CEOs) of each HEI that probed not only the extent of their involvement in a planning process, but their engagement in a myriad of activities that are associated with institutional planning. The findings represent a complex tapestry of knowledge and participation levels within a national higher education system that reflects a diversity of institutional accomplishment. The authors provide an extended discussion of the findings and the importance of strong leadership coupled with institutional strategic planning as guiding forces behind a realistic resource allocation process. The authors conclude that resource allocations must be part of a comprehensive planning process.

Management and Leadership

Enormous change has been occurring in higher education that has greatly complicated management and leadership (Scott, 2001). Institutions have grown in size and complexity in recent decades. The growing demands of external stakeholders for knowledge production, wealth creation and social relevance have placed inordinate pressure on these to maintain vigilance and be strategically positioned to seize opportunities and avert threats quickly and efficiently.

The modern university must be placed in a broader perspective. In many ways, a university is analogous to a symphony orchestra (Drucker, 1990). To expand upon Drucker's original analogy, it is comprised of many individuals, each with unique and highly developed expertise. In fact, they can be so specialised that most individuals do not fully understand how the others carry out their roles. To bring some order to this situation, each instrumental group (strings, brass, percussion, etc.) have one individual designated as the 'first chair'. This person leads their small group. The conductor, who is ultimately responsible for orchestrating the entire operation, leads all these groups in unison. Everyone is guided by the written music, but the conductor decides its interpretation.

Harman and Harman (1996) argue that academic fields are considered as largely discrete units without well-articulated connections to overall institutional mission. Moreover, HEIs are made up of students, independent-minded professors, specialised administrators, middle level managers and institutional leaders. As noted by

Rekila *et al.* (1999, p. 263), 'Examining the modern university, we see it really as a very complex organization with different types of students, full time and part-time; different types of personnel; researchers with different kinds of funding sources; teachers with different numbers of teaching hours and fields of education; many types of fund-raising and staff'. Despite their uniqueness, they are also often seen as representing a very traditional force. According to de Boer, Goedegebuure and Meek (1998, p. 104), 'Academia clearly is a species of its own, with traditions that go back centuries, and obviously cannot be run like a car-factory, post-Fordism or not'. The complexity goes far beyond that and departs significantly from Drucker's analogy. Unlike the orchestra that is protected from outside distractions once the doors to the concert hall are closed, the university must interact with a multitude of stakeholders. The emphasis here is that strategic management can serve to reduce the vagaries found within higher education.

Strategic Management

Strategic management must evolve by predicting the future (more effective planning), thinking strategically (increased responses, evaluation of strategic alternatives and dynamic allocation of resources) and creating the future (strategic planning through orchestration of all resources to create advantage) (Gluck, Kaufman & Wallach, 1980). Therefore the orchestration of all resources within an institution, strategically driven by a flexible planning process that incorporates the institutional culture, means strategic management is at work.

One can view strategic management from both positive and negative perspectives (Mintzberg *et al.*, 1998). It serves as a mechanism to provide direction to an institution and at the same time has the potential to propel an HEI on a perilous course into uncharted waters. Overall managerial performance is best evaluated under the structure of a comprehensive strategic plan (Gayle *et al.*, 2003).

A strategy-making framework can be conceptualised that balances the opposing forces of alignment disruption (strategic thinking) and alignment creation (strategic planning). One begins with the circumstances of the present, moves into strategic thinking (which can disrupt institutional alignment), focuses on the desired future for the institution (vision) and then merges these factors into a strategic planning process (that ultimately creates institutional alignment). This evolving cycle is continuous and ongoing (Liedtka, 1998). Strategic management creates an environment with consistency, but can also strangle creativity that thrives on inconsistency. With effective leadership, the negatives can be minimised. Thus, the concept of strategic management is multi-faceted. Two of the components noted above, however, assume an 'umbrella' function that is integrated into the other areas (See Figure 1).

Strategic planning and the way institutions embrace it have been an object of attention in recent years within Europe. Strategic management and planning were recommended in 1998 by The European University Association (former CRE). With a document by Tabatoni and Barblan (1998) published by CRE, recommendations concerning principles and practices of strategic management in universities in order to develop a model to reinforce institutional integration were widely disseminated throughout the European higher education community. After this Guide came a follow-up publication in August, 2002, *Thema n° 2,* by Tabatoni, Davis and Barblan, entitled 'Strategic Management and Universities' Institutional Development'.

Strategic Management
Interpretative
Interactive
Mediating

Strategic Planning

Analytical
Sequential
Linear

Strategic Thinking

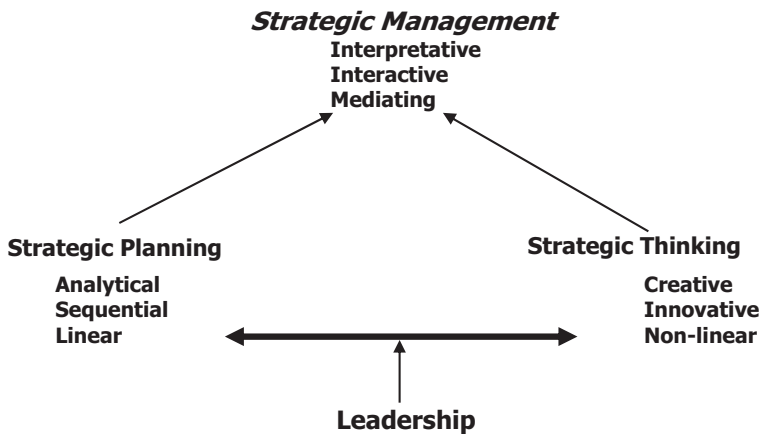**Creative**
Innovative
Non-linear

Leadership

FIGURE 1. Strategic Management as a Function of Strategic Planning and Strategic Thinking

Furthermore, Bayenet, Feola and Tavernier, (2000, 75), reporting on behalf of the Association of European Universities (EUA) and the OECD Programme on Institutional Management in Higher Education (IMHE) Seminar, point out that 'Universities are regarded as institutions rather than as enterprises, and have always shown a certain sense of tradition [. . .]. However, this traditional image no longer seems to equate with reality. Today, universities have to adopt a strategy that will constantly adapt and adjust its main thrust to suit market needs'.

Decision-making processes, or ways to approach strategic issues depend on the commitment of leadership. Leadership ultimately is responsible and must be committed to the process (Mintzberg, 1994).

Leadership

Leadership is about strategic management, discretionary decision-making and policy development. Ohmae (1982) represents leadership as a cornerstone in a triangle along with management and planning. Leaders are charged with the task of moving an institution forward in an effective manner; with taking the institution from its current mission-state to a new and better vision-state. As advocated by Clark (1983), HEIs evolve from the bottom up. Each adaptation moves up the hierarchy bringing growing degrees of change with it at each level.

Senge (1996, 36) captures the relationship of leadership to the planning process by stating that '[. . .] no significant change will occur unless there is a commitment at many levels'. Similarly, the role of leadership in strategic planning is emphasised as the vehicle that guides an institution from mission to vision (Whitlock, 2003). According to Whitlock (2003, pp. 11–12), leadership '[. . .] is the creativity, intuition, emotion, values, relationship building, and vision that are necessary in setting a new direction, redefining, reframing, reinforcing and communicating the *raison d'être* for the organization'. The role of leadership and the accomplishments with strategic planning are advocated by Dooris (2003, p. 31):

University leaders operate within limited degrees of freedom [. . .]. In despite of these constraints (the case study university), has become markedly and

undoubtedly a stronger university over the past 20 years [. . .]. These accomplishments primarily reflect strong leadership at the highest level of the university.

Other authors concur that leadership within higher education institutions is identified as a 'shift in perspective' (de Groof, Neave & Svec, 1998). Some would place it on top as the all-encompassing factor that orchestrates institutional management and planning (Anyamele, 2005). Certainly, planning and management are key functions of leadership. As Middlehurst (1993) points out, leadership sets values and direction and positions the institution strategically. Anyamele (2005, 367) states that their work '. . . involves making important decisions: resource generation and allocation, institutional acquisition, investment and disposal, about the recruitment of academic and other staff, about creation, closure and merger of departments, and about external roles and relationships'. We would add that effective leadership is a vehicle for transitioning the HEI from a static focus on its present circumstances to a more dynamic emphasis on its future state. HEIs must move past myopic lock-step policies and procedures designed to maintain and protect their existing position and address proactive and adaptive change strategies that will allow them to move forward in concert with their external environment and competitors (See Figure 2).
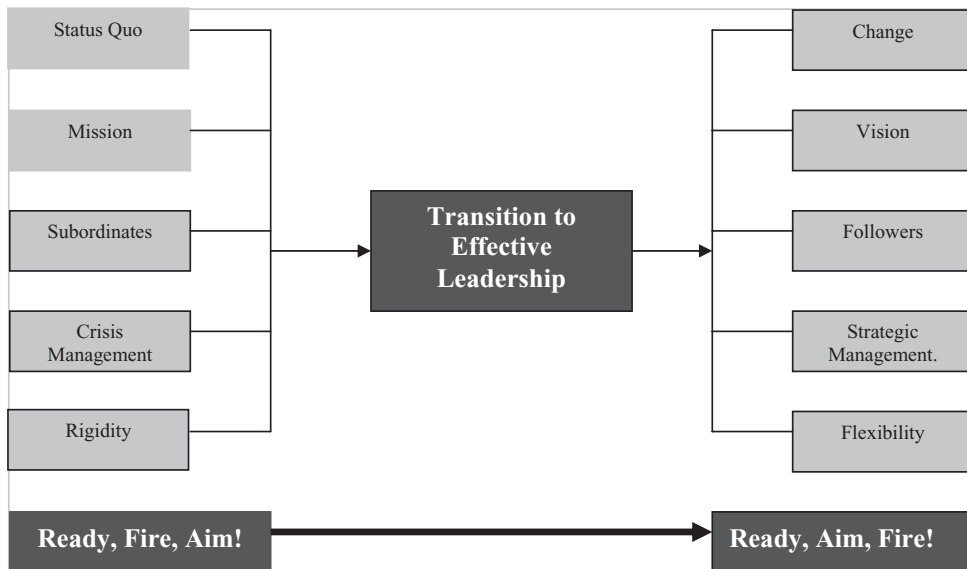

FIGURE 2. The Transition to Effective Leadership

The Growing Complexities of Resource Allocation and the Need for Planning

Every HEI management system must confront resource allocation. No institutional initiative can succeed without necessary resources (Shulock & Harrison,

1998). In order to address goals and objectives and implement strategies, it is important to obtain and retain institutional support by allocating necessary resources. However, as emphasised by Johnstone (2003), financing is a major issue worldwide. European HE systems are no exception.

The second half of the 20th Century was a time of rapid growth for European higher education. This unparalleled expansion, termed massification, brought huge numbers of students into the systems and also heralded the beginning of new financial concerns. Naturally, the concomitant need for increased funding accompanied massification. The concern quickly became one of preserving quality within the systems. In Europe, higher education is almost entirely subsidised by the State (Winter-Ebmer, Wirz, 2002). However, as stressed by Dincã (2002, 29), 'More and more governments state they can no longer allot a higher percentage of their public budgets to higher education'. Moreover, the pressure has grown for more productivity and efficiency (Scott, 1999).

Therefore, European HEIs are well aware of the need to identify new funding streams. However, their internal focus towards institutional structures and processes to improve efficiency and effectiveness may not be sufficient. It could even be argued that internal realignments may create more problems than solutions (Altbach & Peterson, 1999). Therefore more and more higher education institutions are depending on diversified funding streams to support their missions (French, 2003). Various initiatives are being introduced across Europe in an attempt to combat the problems. Tuition is a growing source of income, especially in the UK. In the Netherlands, tuition is charged but returned in an effort to improve retention rates if the student graduates. Finland wants to retain its tuition-free policy for nationals, but to substantially increase its rates for international students. Overall, European universities are facing the reality that the world is indifferent to customs and traditions. To prosper, European HEIs must find the alternative resources to remain competitive. (CNN- Education, 2006). Even fund raising, which has long been considered alien to European culture, is gaining a foothold in some countries (EUA, 2006).

The planning process is the mechanism that allows the articulation of institutional goals and priorities. From planning come the vital means for connecting the mission of the present with the vision of the future. It is only at this point that an HEI can have a clear and focused view of its targets and desired direction. Therefore the main problem for HEIs is to set priorities orienting the way they allocate fundings. Too often, the budget defines the plan, when appropriately the plan should be used to guide the development of the budget (Taylor, Hewins III & Massy, 1998).

In early discussions, Peterson (1999) addresses what is now recognised as an essential element of strategic planning — the organisation/environment interface. Institutional planning must include a comprehensive process of monitoring and adjusting to the realities of the external environment. Complexity encourages a segmentation of the environment. These segments can then be further examined in terms of their potency (the extent to which environmental factors control resource flow), and predictability (feasibility for long-range planning due to stable resource flow). An examination of these factors helps an institution to characterise its environmental circumstances with respect to resource predictability and environmental locus of control over resource flow. From this, appropriate planning strategies can be adopted. A major obstacle for institutional planning and resource

allocation strategies is the fact that revenue sources are typically severely limited and thus flexibility is inhibited. As noted by Johnstone *et al.* (2006), these problems must ultimately be solved on the cost side through better efficiency and waste cutting or on the revenue side through supplemental revenue streams. Now, more than ever, an HEI needs a comprehensive institutional plan and the leadership to move it forward. As Figure 3 illustrates, developing a competitive advantage involves homework and execution — the sequential process of resource and capabilities identification followed by choice and engagement of strategies.
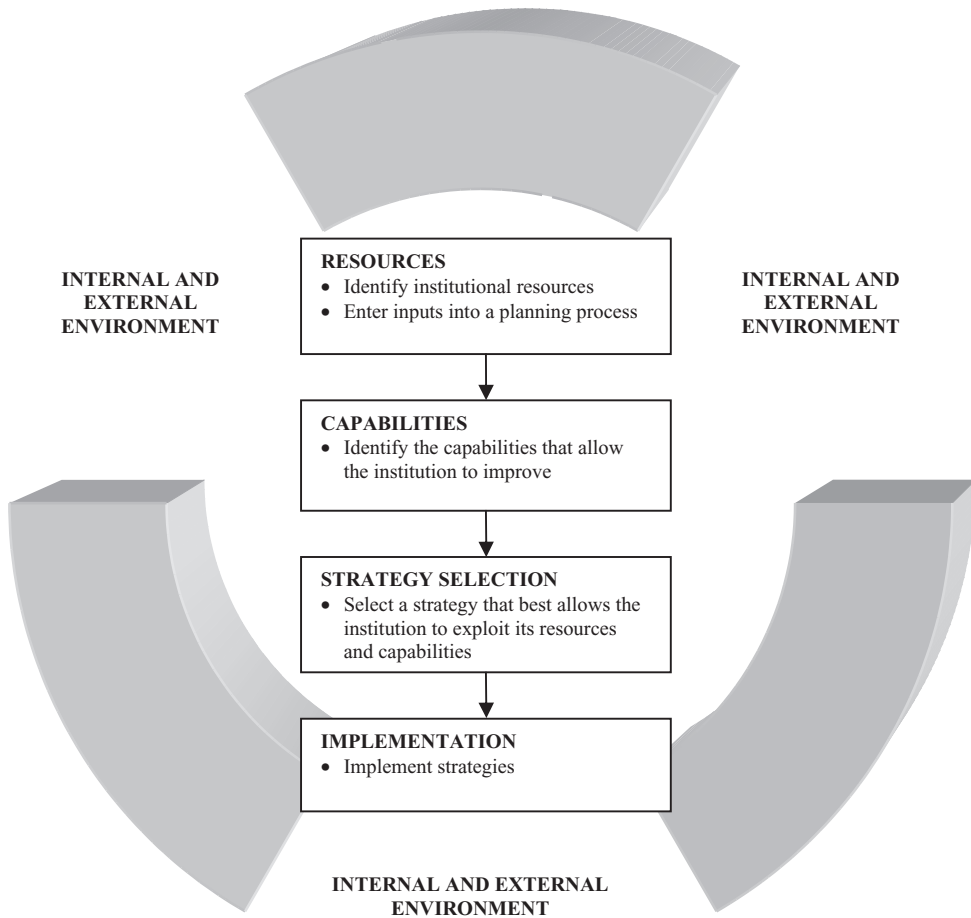

INTERNAL AND EXTERNAL ENVIRONMENT

RESOURCES
- Identify institutional resources
- Enter inputs into a planning process

INTERNAL AND EXTERNAL ENVIRONMENT

CAPABILITIES
- Identify the capabilities that allow the institution to improve

STRATEGY SELECTION
- Select a strategy that best allows the institution to exploit its resources and capabilities

IMPLEMENTATION
- Implement strategies

INTERNAL AND EXTERNAL ENVIRONMENT

FIGURE 3. Using Resources for a Competitive Advantage

A Case Study in Portugal

Higher education in Portugal consists of different types of institutions that carry out teaching, research and service and its nature has changed significantly over the last decades. The number and types of institutions have increased dramatically. In the 1970s, there were four public universities and the Catholic University. Today,

Portuguese higher education (PHE) is divided into public and non-public higher education. Under public higher education, there are universities, polytechnic institutes and military and police schools. Private higher education includes universities and 'other schools'. The term 'other schools' is used in Portugal to refer to all institutions that are not integrated within a university or polytechnic institution. There is also a multi-campus Catholic university with a unique status (See Table I). Data from MCTES (Ministry of Science, Technology and Higher Education) show that institutions offered about 1932 *licenciaturas* (i.e. four to five years degrees), 80 *bacharelatos* (i.e. three years degrees) and 622 master's degrees in 2005–2006. This is in stark contrast with historical data.

TABLE I. Number of University and Polytechnic Institutions, 2006

	University		Polytechnic	
	Universities	Other Schools (not integrated)	Polytechnic Institutes	Other Schools (not integrated)
Public	14	5	15	16
Private	13	35	2	60
TOTAL	27	40	17	76

Source: MCTES (2006).

The Portuguese system of higher education has grown significantly in the last few decades after the April 1974 Revolution. The total number of students in 1970–71 was 49,461. In 2001–02, the number had grown to its peak of 392,291. According to Amaral, Magalhães and Teixeira (1996, p. 3), 'Most of this expansion was the result of the government's decision to encourage the development of private higher education institutions, both universities and polytechnics'. However, in recent years, one can see a decrease. In the academic year 2005–06, the total number of students was 367,934, with 75% enrolled in public higher education. The academic staff at public higher education institutions in 2004 was 25,362; at non-public higher education it was 11,440.

With respect to the allocation of financial resources, the majority of funding in public higher education comes from the State. Since 1993, the budget of public institutions has been calculated on the basis of a formula. Resources are allocated on the basis of student numbers (Amaral & Teixeira, 1999). More recently, in 2003, the Law 37/2003 established that financing of higher education institutions was in accordance with objective criteria and performance indicators concerning the quality of teaching, rationality and efficiency of institutions. In 2006, a new formula was adopted. It is based on the number of students and factors such as the quality indicators of the academic staff and graduation rate. Additionally, it includes characteristics of institutional factors such as staff average costs and student/teacher ratios (See Table II).

HEIs enjoy financial autonomy and manage the budget allocated to them; however, they have to follow the budgeting and accounting laws of Portuguese public administration.

TABLE II. Criteria Used in the Funding Formula Developed for 2006

Terms in the new funding formula	Description
Overall number of students	Number of students for all the courses approved for public funding
Cost factor to allow considering specific institutional characteristics, as well as to differentiate areas of study	Staff average costs (indirect measure of qualification)
	Teacher/student ratios
	Teacher/non academic staff ratios
	Funding depends on reference costs calculated using the same criteria for every institution, using a predefined relationship between other current expenses and personnel costs (15/85)
Quality indicators	Level of the academic staff qualification (fraction of the academic staff holding PhDs)
	Graduation efficiency ratePost-graduation efficiency rates (masters and PhDs awarded)

Source: MCTES (2006).

In recent years, both the government and the institutions have been open to the idea of other sources of revenue. The State no longer can meet the costs and financing needs of an expanding higher education sector. At present, private revenue is available from sources such as tuition fees and sales of services. According to MCTES (2006), this was about 40% of the overall budget for higher education in 2006. Students pay tuition at public and private institutions. Public institutions can define the amount within a minimum and maximum value set by the government. Tuition at public institutions ranges from €530 to €900 per year in public universities and from €487 to €900 at public polytechnics.

Private higher education institutions are mostly financed by tuition. They are free to determine the levels to be charged. Over the years, they have received some funding for facilities from the State. Besides this funding for facilities, as pointed out by Cabrito, (2001, 35), 'regarding private higher education, financing universities is the exclusive role of students and their families, as the owners of the universities behave as private entrepreneurs'.

Financial assistance for students is provided by the State. All students (public and private institutions) can apply for financial aid of this type provided their parent's income qualifies them. All public HEIs also provide non-academic student support, offering welfare services that can take the form of grants, emergency aid, access to meals and accommodation, health care services and support for cultural and sporting activities. The student support services are granted administrative and financial autonomy which they exercise through their own offices and departments.

The governing bodies for both types of public higher education institutions are fixed by law. Current legislation provides more autonomy to the universities than to the polytechnics, especially pedagogical autonomy. For both types of public institutions MCTES (2006, p. 101) acknowledges:

> The autonomy Acts are too prescriptive about the governance structure of public higher education institutions. The Acts define too strictly not only the

governance structure of the universities and polytechnics, but also of their schools, without taking into consideration the institutional diversity of the system.

Private institutions have maximum autonomy in administrative and financial areas but they have no pedagogical autonomy. According to Amaral and Magalhães (2001, pp. 18–19), 'in Portugal, there is a paradoxical situation as private institutions are in general less autonomous (except in the question of finance) than public universities. While the latter have full pedagogical autonomy, private institutions depend on the Ministry of Education for the approval of their study programs'.

Conceição *et al.* (1998), speaking about the Portuguese university and making international comparisons, suggested that the university in Portugal was closer to an academic oligarchy than the universities of Sweden and France (State Authority); Canada, Japan and the US (Market Orientation) and the UK (between Market Orientation and Academic Oligarchy). Figure 4 illustrates the differentiation between the institutional types within Portuguese HE.

State Authority

PP

PU   PI

Academic Oligarchy   **Market**

PU.- Public Universities
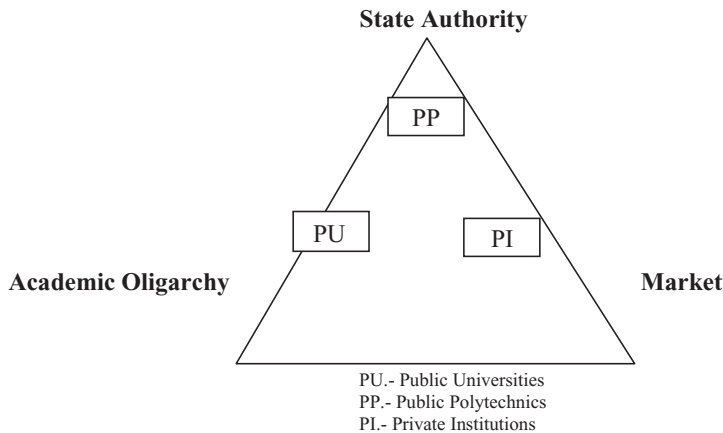PP.- Public Polytechnics
PI.- Private Institutions

FIGURE 4. An Adaptation of Clark's Triangle to Portuguese Higher Education

Several concerning issues surround higher education. A recent Background Report by MCTES (April 2006, p. 94) acknowledged a number of issues. Some are listed below that tend to suggest if not reflect a structure that would impede the exercise of strong leadership and the judicious administration of fiscal resources through strategic planning:

- The lack of external orientation and advice, but above all of accountability facing external bodies. The autonomy law does not allow for external participation in the University Assembly, which elects the Rector from within the full professors of the University, in the form of an internal process. External participation in the Administrative Council is also inexistent;
- The limited role of pedagogical councils and the related passive participation of students, namely in educational/pedagogical planning and supervision;

- The large dimension of most of the collegiate bodies (Simão *et al.*, 2002): the number of members of the University Assembly in the 14 Public Universities in 2002 varied between 64 and 331, while the number of members of University senates ranged from 36 to 179.
- The predominance of the collegiate approach in university management leads to slow and cumbersome decision-making processes and a diffusion of personal responsibilities. Decision making tends to be corporative, lacking clarity and transparency, which does not contribute to necessary institutional cohesion.
- Leadership is not favoured and strategic planning is not a common tool for institutional development.

Therefore Portuguese higher education institutions are in a period of transition. Social, economic and political issues are impacting on institutions. The European context (i.e. the European Higher Education Area, the Bologna Declaration, globalisation, autonomy, evaluation, financing demands for increased accountability and internal quality are some of those issues) is dynamic, challenging and changing. It is clearly a time when scarce resources need to be placed under institutional planning and strong leadership.

A national study was recently conducted in Portugal to assess the extent to which HEIs were engaged in planning, and especially strategic planning efforts (Machado, Taylor, Farhangmehr & Wilkinson, 2005; Taylor & Machado, 2006). A national survey was carried out with rectors and presidents of public and private higher education institutions. The 61 responding institutions represented 74.77% of all students enrolled in Portuguese higher education. Most non-responding institutions were private (other schools) that enrol small numbers of students. Some of the questions about the system for which answers were sought included:

- Do the higher education institutions develop a process of strategic planning?
- What is the role of the leadership team in the process?
- What are the main goals of the institutions?
- Which strategies do the institutions promote to achieve their goals?
- What problems impede a planning process?

Overall findings suggested planning efforts were in their infancy throughout Portugal. Most institutions indicated the year 2000 as the start date for their planning processes. A plausible explanation for this might be that public institutions were responding to a directive (VADEMECUM) from the Ministry in charge of higher education that required a response from the leadership of the public HEIs. Only 24 institutions met the criteria and were found to legitimately be strategic in their planning efforts. In addition, only six were able to provide a strategic planning document (others were submitted that did not qualify). This would suggest that strategic planning in Portuguese HEIs was embryonic and still evolving. Moreover, the institutions acknowledged that the strategic plan was used in the development of the institutions, however it was found to be based more on capabilities than on aspirations. The vast majority of HEIs, regardless of their degree of involvement in planning, indicated a desire to become more active in this area. The most positive aspects derived from planning were the creation of change, a better understanding of the institution and its mission, and a better perspective

on priorities and goals. Strategic planning is inextricably linked to the overall strategic management of the institution as a whole. Strategic management is an area of growing interest and concern. However, findings from the study suggest that, generally speaking, institutional research functions are not as strong and comprehensive as they should be to support strategic management. Strategic planning within the Portuguese higher education enterprise is embryonic, at best. While some efforts were found, they were accompanied by naïve misunderstandings, inflated self-reporting and fragmented implementation in many cases.

So, in the broadest possible terms, Portuguese higher education it seems is close to be positioned to advance to the next level and move into the realm of strategic planning. It would appear that the legitimate involvement of Portuguese higher education in the process of strategic planning is beginning to emerge. This situation is not unique to Portugal in the European context and is not therefore a focused indictment of the Portuguese system. A recent study by Taylor, Amaral and Machado (2007) compared the extent to which 10 European countries were engaged in a strategic planning process (See Figure 5 below). The dimension of planning was delineated from 1) emerging or nonexistent through 2) developing to 3) maturing or fully established. Survey data received from each country revealed wide discrepancies. The continuum of involvement ranged from Italy with little or no evidence of explicit planning to The Netherlands with a stable and functioning process. Portugal was shown to be between Austria and Spain as emerging and in the throes of developing a viable planning process.
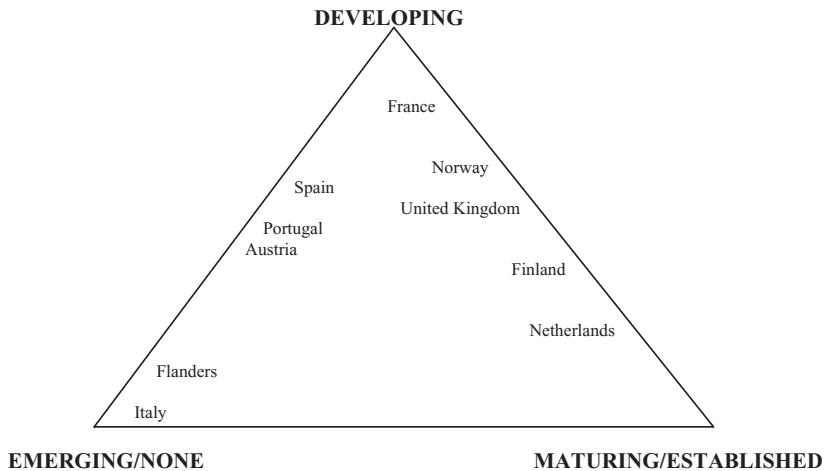

FIGURE 5. Dimensions of Strategic Planning in European Countries
Source: Taylor, Amaral & Machado (2007) Strategic Planning in U.S. Higher Education: Can it Succeed in Europe? In *Planning for Higher Education*, Vol. 35, Number 2, pp. 5–17.

In Portugal, the study reveals that rectors and presidents are clearly in charge of the planning process. This group is also identified as having the largest impact on the process. An examination of the strategic planning institutions revealed an

essentially top-down process which gave primary responsibility for planning to the leadership. For 100% of the institutions surveyed, the office of the Rector/President had the main responsibility for the planning process. The strategic directions an institution chose to take were influenced by many factors. First and foremost was leadership. For the three main institutional types, the ability to create and manifest change was the most evidenced impact from engaging in a strategic planning process. Institutional change requires leadership, risk-taking, vision and resources. In other words, a planning process with firm linkages to institutional resources and a capable senior management team to execute it are required. Thus, the findings gave support to the position that strong leadership is essential to institutional strategic management and planning.

The analysis of documents submitted identified the strengths and weaknesses. These are a few examples:

Strengths
- High quality of teaching staff;
- Benchmarking with other successful international HEIs;
- The institutional tradition;
- The historical and cultural heritage.
- Institutional strength through the role of the rector.

Weaknesses
- Academic autonomy not well clarified;
- Financial constraints;
- Bureaucracy in administrative workflow;
- Outdated statutes governing the teaching staff;
- Inability to motivate and reward teaching staff.

When institutional goals were examined, budget priorities tied for second (See Table III). Thus, the study identified both leadership and resources as fundamental to the planning process in the views of the institutions. It can be added that markets and competitiveness were clearly important, as shown by the prioritisation of internationalisation and enrolment management.

TABLE III. Main Goal Areas for HEIs Engaged in Strategic Planning

Goal Area	Percentage of HEIs with Targets for Each Goal Area
Quality	79.2
Financing	66.7
Support Services to Students	66.7
Internationalization	59.1
Enrollment Management	58.3
Expansion of the Campus	57.9
Relations with Business and Industry	50.0
Development of Graduate Programs	50.0
Research	47.8

Source: Machado, M. L., Taylor, J. S., Farhangmehr, M. & Wilkinson, R. B. (2005). "Strategic Planning in Portuguese Higher Education Institutions," *Planning for Higher Education*, 34, 1, pp. 29–39.

With respect to hindrances to strategic planning, public institutions acknowledged the existence of too many governing bodies within the institution, the excessive power of academic staff, the difficulty of motivating staff to participate and financial constraints both in terms of receipts and freedom to allocate. Private institutions also showed some agreement with the problems of motivating academic staff, the time required to do planning and the lack of human resources, including finances, to support the process.

Table IV shows the problems identified by HEIs ranked by the percentage of institutions that targeted them in their planning process. From the table, it can be seen that lack of financial resources was the most troubling problem faced by institutions. Other human and technological resources fell quickly into line as well. Following these were various factors associated with the successful implementation of a planning process.

TABLE IV. Problems Affecting Planning

Problems Impeding the implementation of planning	Percentage of HEIs with Targets for Each
Lack of financial resources	80.4
Lack of human resources	78.5
Lack of technological resources	68.7
Adequate implementation of the process	53.0
Excessive fast change in the environment	49.1
Lack of time	49.0
Absence of communication	41.2
Lack of information	35.3
Lack of motivation of staff	31.4
Lack of engagement of senior administration	23.6

The examination of the factors that influence the institutional direction identified leadership, students' expectations and financing resources as the major factors (see Table V). Other factors that were also important were innovation, expectations of

TABLE V. Factors influencing institutional direction

Factors	Percentage of HEIs with Targets for Each
Leadership	96.1
Expectations of the students	92.1
Financing resources	88.3
Innovation	78.5
Expectations of the academic staff	70.6
Judgements of the scientific community	69,8
Governmental regulations	68.7
Expectations of future employers	64.7
Families	60.8
Needs of internationalization	49.1
Competitions with other higher education institutions	47.1

the academic staff, judgements of the academic community, governmental regulations and expectations of future employers. The influence of families, the need for internationalisation and competition with other higher education institutions were less important in determining the direction of the institution.

Due to financial constraints, institutions do not address *intended strategies* and must instead settle for *emergent strategies*. The excessive power of governing bodies and institutional units (faculties and schools) can also aid in moving the leadership of institutions away from its intended strategies. Moreover, there are several serious gaps between what is and what should be that are reinforced by a lack of adequate understanding of the strategic planning process within higher education. As put by Mintzberg (1994, 23), 'Setting out on a predetermined course in unknown waters is the perfect way to sail into an iceberg'.

Conclusion

OECD studies and a report by the World Bank show that European HEIs are seriously under- funded and, in some cases, incapable of supporting economic growth and social cohesion (EU-RA, 2004). The *World Declaration on Higher Education for the Twenty-First Century: Vision and Action* (1998) stressed, 'Everywhere higher education is faced with great challenges and difficulties related to financing, equity of conditions of access into and during the course of studies, improved staff development, skills-based training, enhancement and preservation of quality in teaching, research and services, relevance of programs, employability of graduates, establishment of efficient cooperative agreements and equitable access to the benefits of internal cooperation'. (*ibid*, 1). Portuguese higher education is no exception

Higher education institutions are challenged by many constraints and opportunities. Their prosperity rests with sound strategic management and the leadership needed to implement it. As cited in Tabatoni and Barblan (1998, pp. 16–17), '. . . a university is a fully established organization . . . exactly like a business, a body of public administration, . . . a museum, a research center, the army . . . or a charitable organization. Indeed, once there is a structured group, there is (strategic) management because . . . managing means leading a collective action, and enabling it to materialize'.

This article attempted to clarify the importance of institutional leadership and planning as the prerequisite cornerstones to intelligent and impactful resource allocation. Today more than ever, HEIs face enormous challenges. The prudent distribution of scarce resources based on a carefully orchestrated plan is an important ingredient in meeting these.

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