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Analysis of governance structures in public and private higher education institutions as a way of subsidizing the strategic planning development

Análise de estruturas de governança em instituições públicas e privadas de ensino superior como forma de subsidiar o desenvolvimento de planejamento estratégico

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ABSTRACT:

The aim of this paper was to identify, through discreet comparative analysis, the governance structures of two higher education institutions, one public and another private in the city of Lavras, MG - Brazil, and analyze the relations of such governance structures as a way of supporting the development of the strategic planning of these institutions. Thus, it was concluded that the governance structure in the public institution is hybrid with strong market characteristics and in the private is hybrid with strong hierarchy characteristics. A result which implies directly in the formulation of the strategic planning of these institutions.

Key words: Higher Education Institutions; Governance; Strategic Planning.

RESUMO:

O objetivo deste trabalho foi identificar, por meio da análise discreta comparada, as estruturas de governança de duas instituições de ensino superior, uma pública e a outra privada na cidade de Lavras, MG - Brasil, e analisar as relações das estruturas de governança como forma de subsidiar a elaboração do planejamento estratégico dessas instituições. Conclui-se que a estrutura de governança da IES pública é híbrida com fortes características de mercado e a da privada é híbrida com fortes características de hierarquia. Resultado o qual implica de forma direta na formulação do planejamento estratégico dessas instituições.

Palavras chave: Instituições de Ensino Superior; Governança; Planejamento Estratégico.

1. Introduction

The 1990s was a major milestone for the Brazilian higher education, as in this period there was a significant redesign of the university context in the country with the promulgation of the Law of Guidelines and Bases of National Education (LDB; Law no. 9.394/96) which promoted the access expansion to higher education, increasing competition in a market so far dormant and lacking in opportunities (Mainardes, Miranda & Correia, 2011; Gaspar, Donaire, Silva, Bazanini & Oliva, 2007).

Since then, the scenario of higher education supply has been growing year by year in Brazil, showing that the existing fierce competition in other sectors of the economy, now also affect education (Zanin, Poli, Rodrigues, Jung & Caten, 2013). The number of higher education institutions (HEIs) increased by 47.6% over a period of 10 years, that is: from 1,637 HEIs in 2002 to 2,416 in 2012 according to the last census of higher education; and of this total, 12.6% are public HEIs and 87.4% are private (INEP, 2012).

For this same period, Zanin *et al.* (2013) point out that the growth in the number of public HEIs was 45.5% and in private was 44.3%, which, according to the authors, require a more accurate strategic plan, mainly for private HEIs that depend on student's tuitions to stay in the market.

As for the public HEIs, its management has been pervaded by difficulties, ranging from lack of resources, rigidity of the administrative structure, to the fact that managerial autonomy is very restricted (Pessoa, 2000). With respect to private HEIs Cunha (2011) points out that these are filling most of the higher education market-share because of its flexibility to adapt to the new demands of society, even when facing great competition.

From this new scenario, a climate of uncertainty for decision-making was generated, leading to a situation where less and less organizations watch the events passively, being forced to take a proactive attitude towards their environment (Ferreira, Ueno, Kovaleski & Francisco, 2006). Thus, HEIs have been challenged and pressured to establish a strategic management that can simultaneously deal with issues of profitability, pedagogical ethics and social responsibility (Gaspar *et al.*, 2007). Among the reasons for this shift in strategic posture Meyer Jr., Pascucci and Mangolin (2012), highlight the constant changes in education policy, the demands of the productive sector, fluctuations in demand for courses, renewed needs and expectations of students, among others.

In this sense, strategic planning can be considered one of the main ways by which it is possible to understand the management practices adopted by HEIs (Cunha, 2011; Meyer Jr., Pascucci & Mangolin, 2012). Because it allows the identification of competitive market factors and internal potential of the company, to achieve goals and action plans that result in competitive advantage, based on the systematic analysis of environmental changes for a particular period of time (Kotler, 2011)

One of the ways of defining the strategic posture of the organization and consequently its strategic planning, is through the analysis of the governance structure adopted by the firm (Leite, Lanzer & Serra, 2009). That is, managers must select from the different governance structures (market, hybrid, hierarchy) the one that enables the minimization of transaction costs (Rodrigues, Morais, Cruz & Almeida, 2011; Zylbersztajn, 1995; Williamson, 1991).

Transactions via market is characterized as the institutional arrangement that has the lowest transaction cost when the asset specificity equals or is close to zero. Hierarchy may be considered the governance structure that posits lower transaction costs in the presence of highly specific assets; whereas hybrid forms are positioned as an intermediate governance structure (Leite, Lanzer & Serra, 2009). In this manner, HEIs strategies formulation should be directly related to the characteristics of their transactions.

Given the aforementioned, the research problem that guides this study can be formulated by the following question: what are the differences in governance structures adopted between public and private HEIs and what are the implications for strategic planning?

The aim of this study was to identify, through discreet comparative analysis, the governance structures of two higher education institutions, one public and the other private in the city of Lavras, Minas Gerais – Brazil, and analyze the relationships of governance structures in order to subsidize the elaboration of the strategic planning of these institutions.

In addition to this introductory session, the paper consists of the theoretical framework in which the characteristics of governance structures as well as strategic planning in HEIs are detailed; the methodology explains the technique of discreet comparative analysis; the results and discussion highlights the types of governance identified for each of the HEI and its relations with strategic planning and; in the final considerations section, the main findings of the study, future research suggestions and limitations are discussed.

2. Theoretical framework

2.1. Governance structures

In the context of this paper, it is assumed as a governance structure the institutional framework in which transactions are actually carried out or decided (Leite, Lanzer & Serra, 2009), namely the concept adopted is derived from the Economics of Transaction Costs (Williamson, 1985) which includes consistent instruments to study the evolution of the organization through governance mechanisms as determinants of performance and evolution and; New Institutional Economics (Coase, 1937) which is based on two basic assumptions: limited rationality (all complex contracts are unavoidably incomplete) and opportunism (individual action in the pursuit of self-interest).

Espino (1999) defines governance structures as the organization's rules which purpose is to guide the daily transactions (routinely), e.g.: relationships of individuals within the organization and its relations with individuals from other organizations.

The Theory of Governance Structures was developed by Oliver Williamson, whose purpose was to present new institutional arrangements beyond the market, that is, the author sought to show that the market is not the only suitable arrangement for the purpose of organizing the economic system, thus contradicting what is advocated by the economic orthodoxy (Santos & Mira, 2014; Fiani, 2013). According to the theory proposed by Williamson, transactions can be organized under three structural governance alternatives: market; hybrid and; hierarchy (Crook, Combs, Ketchen Jr. & Aguinis, 2013).

Williamson (1991) points out that managers should select the governance structure that minimizes transaction costs. Complementarily, Silva and Sales (2007) stresses that the choice must be made by comparing the cost of governance structure with the others. Table 1 presents the three forms of governance proposed by Williamson (1991), as well as its main features.

Table 1. Governance forms and its main characteristics.

Governance Form	Characteristics
Market	Suitable for transactions with low assets specificity because it's absolutely non-specialized governance structure, it doesn't have specific rules for a given individual transaction, only general rules that can be applied to any transaction. Bureaucracy costs are almost absent. Adaptation to possible disorders will be through autonomous adaptation, where buyers and sellers react opportunistically thinking of individual gains. The contracts assume a classic format, where formal clauses specify the characteristics of the transactions involved with the identity of the parties being irrelevant and the transactions

	highly monetized.
Hierarchy	It occurs when the governance costs of this structure are lower than of the market or to the hybrids. Decisions occur by authority. The activities that could occur among multiple firms occur within a single company. There is a replacement of autonomous adaptation by coordinated adaptation. The mutual interdependence relationships are so important that there is a need to adopt business solutions requiring the imposition of administrative controls, which generates high bureaucracy costs. The type of contract used in this structure is relational because transactions are more flexible, with the possibility of continuous negotiation. Thus, there is the prevalence of indulgence, or a law of implicit contracts.
Hybrid	It's distinct from markets and hierarchies for being specialized in dealing with bilateral dependence. When compared to the market, sacrifices incentives in favor of a greater coordination among the parties, as compared to the hierarchy, sacrifices cooperativeness in favor of a greater intensity of incentives. Asset specificity is intermediate, so the adaptation choice depends on (i) whether or not there is a bilateral dependency; and (ii) if the distribution gains are well established or not. Contracts are of the neoclassical type; where prices play an important role as an adjustment factor, but are restricted by the presence of specific assets, at the same time safeguards are difficult to implement.

Source: Prepared by the authors based on Williamson (1991); Fiani (2013); Santos & Mira (2014).

Whereas firms move transactions from market to hybrid forms and hierarchies, an increase in authority allows for greater monitoring and control by simplifying the conflicts resolution (Crook *et al.*, 2013). However, as placed by Williamson (1991) the lack of authority in the market is compensated by the presence of incentives. Hierarchies provide fewer incentives because typically only a small portion of compensation to employees in the firm is tied directly to performance.

By Pieranti, Rodrigues and Peci (2007) standpoint, institutional governance designs differ depending on the context which they are applied. Thus, according to Bernier, Bouchard and Lévesque (2003), each existing governance relationship has its own characteristics, considering the particularities of each environment where they are installed.

Based on the aforementioned, the following question arises: which form of governance should the firm adopt? Williamson (1991), Otto and Chobotová (2003), Menard (2006), Leite, Lanzer and Serra (2009) and Rodrigues *et al.* (2011) argue that the answer to this question relates to the attributes of the transactions themselves, which are: **1) Uncertainty** – unpredictable aspects of transactions that may be caused by the agent's behavior, organizational deficiencies, inadequate institutions and serendipity. The greater the uncertainty, the greater the transaction costs; **2) Frequency** – number of times in which the transactions occur. Frequent transactions tend to make the costs fall, because they facilitate the establishment of governance systems that are not the market (classic contracts) and; **3) Assets specificity** – degree to which assets can be re-employed. It is the most important attribute of a transaction, since it determines the volume of transaction costs.

Considering that asset specificity is the most important attribute of the transaction (Joskow, 1993; Williamson, 1991), as investment in these assets increases, the cost to perform the transaction via the market is higher than in more complex structures. Therefore, the greater

the degree of assets specificity, the greater the need for safeguards to prevent opportunistic behavior from the other party (Mourad & Zylberstajn, 2010).

Also according to the authors, when the asset has lower specificity the market is the best form of coordination, due to its lower cost. From the moment that the specificity increases to a medium level, the hybrid form is the most suitable. And, when asset specificity is high, hierarchy, or vertical integration is the best alternative to avoid opportunistic behavior and minimize transaction costs.

It is also worth highlighting the role of uncertainty in transactions; since it is impossible to predict future events, which means that no contract is complete; therefore opportunistic actions are imminent (Silva & Saes, 2007). In this sense, Williamson (1991) illustrates in Figure 1 that the higher the degree of uncertainty the worst performance of hybrid forms of governance ,also, the greater uncertainty and lower the specific asset, the best form of governance to be adopted is the market. Conversely, the greater the uncertainty and the greater the asset specificity, it is better that firms opt for hierarchical structures.

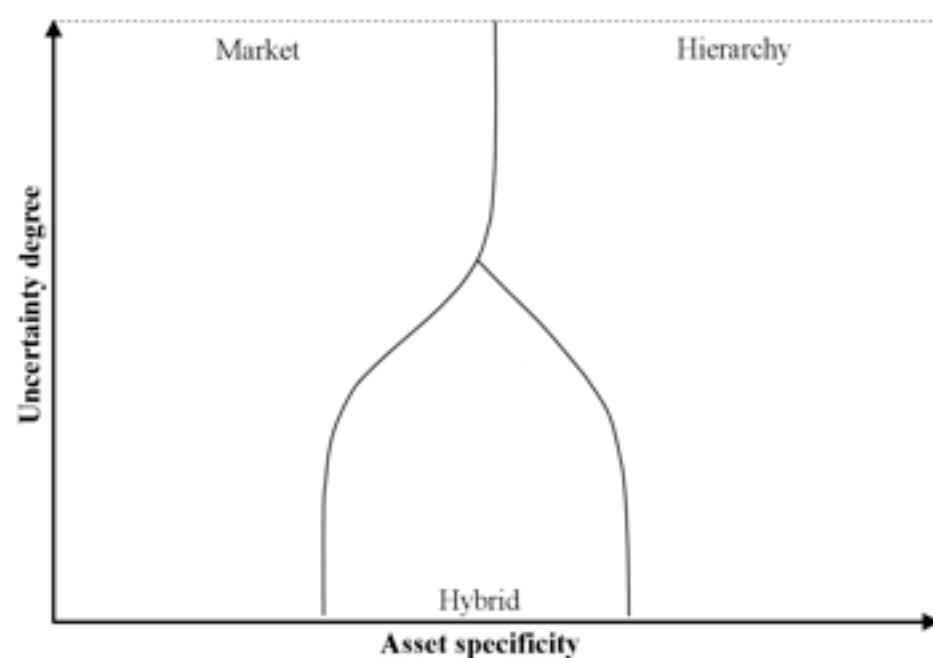


Figure 1. Organizational responses towards uncertainty.
Source: Adapted from Williamson (1991).

For Bourollec and Paulillo (2010) the greater the uncertainty, the greater the risk of opportunistic and, consequently, the coordination tends to be more centralized. Fiani (2002) concludes that the higher the degree of assets specificity involved, especially if the environment is uncertain, the greater the need for more specialized governance structures. It is noticed that the correct choice of the firm's governance form is directly linked to its strategic plan, which therefore aims to define future plans and guidelines of the organization so that it is competitive in the market.

2.2. Strategic Planning in Higher Education Institutions (HEIs)

Higher education institutions (HEIs) are very peculiar institutions when compared to other organizations. The structure of the business itself, the regulations and public bodies responsible for its operation ultimately differentiate them completely from other organizations (Gaspar *et al.*, 2007). Thus, strategic planning can be considered one of the main ways to grasp the management practices adopted by HEIs (Cunha, 2011).

According to Meyer Jr., Pascucci and Mangolin (2012) and Andrade (2003) the adoption of strategic planning has been increasingly growing in this type of organization. However, this practice has not been sufficient to materialize the strategies required by such a dynamic context (Meyer Jr., Pascucci & Mangolin, 2012). As pointed out by Ferreira *et al.* (2006) strategic planning should not only be considered as a statement of the HEIs aspirations, it must

contain what must be done to turn these aspirations into reality. Mainardes, Miranda and Correia (2011) further add that the HEIs management in Brazil is very much based on improvisation and it lacks in planning.

Universities operate in a midst of uncertainty, turbulence and complexity, which demands a continuous search for efficiency and effectiveness of their management models, requiring the professionalization of managers and a clear link between the mission and purposes of the institution and its management tools (Rivero, Lópes, 2012). In this sense, the authors state that strategically manage a HEI means:

- a. Prepare its future development, aware of the existing turbulent conditions, trying to assess the changes that occur and meet them;
- b. Prioritize external factors regarding the internal, giving importance to the major users of institutional results and strategic partners who can support the mission;
- c. Take proactive, entrepreneurial and creative attitudes, with a future-based approach;
- d. Be aware that just draw the institutional strategic projection won't do, it is also important to make it a reality through actions that promote changes or face internal resistance.

Complementarily Ferreira *et al.* (2006) state that the formulation of the strategic plan for an HEI is a complex and challenging task, which does not guarantee that the decisions taken will be put into practice, nor can it ensure that the performance will be effective. Thus, the authors postulate that when the planning is completed, an even greater challenge arises: implement the strategies, managing and overcoming obstacles and resistance to changes. Since according to Meyer Jr., Pascucci and Mangolin (2012), what the practice of strategic management at universities has been revealing is the existence of a gap between the formal plans and the effective implementation of the strategies.

The absence of a proper theory of university management has made HEIs seek models and management paradigms in the business sector (Meyer Jr., Pascucci & Mangolin, 2012), however, as Mintzberg (1994) posits, organizational strategies cannot be created based on the logic used in automobile assembly (mentioning the Fordist and Taylorist models). Thus it is suggested caution in the use of management tools of the business world in the university management environment.

As pointed out by Birnbaum (2000), the most important strategic variables for universities – such as price, location and academic programs – are not under the control of the HEIs, thus, the result of strategic planning practice tends to be shallow and frustrating. In order to mitigate this issue, Ferreira *et al.* (2006) proposed some directions for the development of the strategic plan for the HEIs, which can be seen in Figure 2.

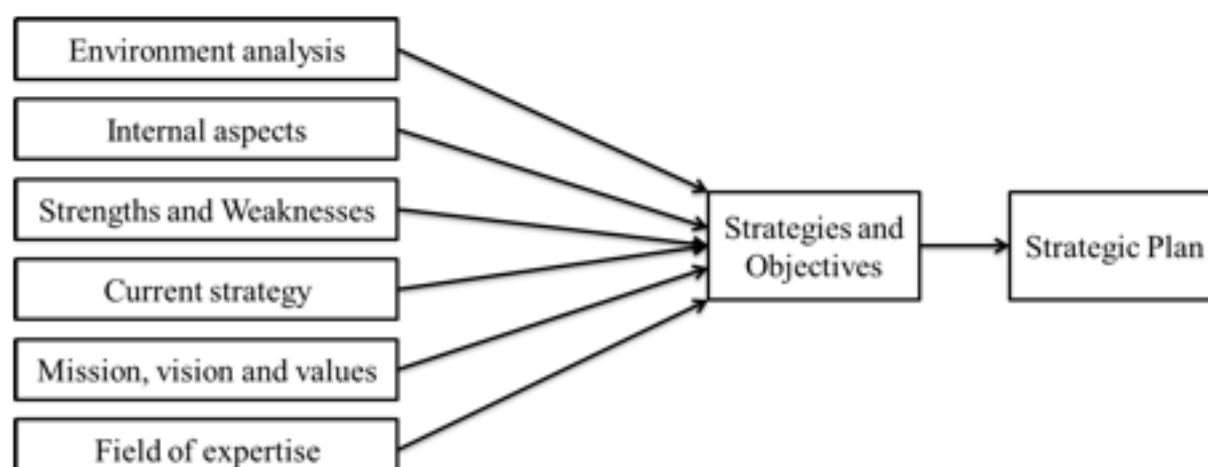


Figure 2. Analysis of the strategic management process.

Source: Adapted from Ferreira *et al.* (2006).

The approach proposed in Figure 2 requires the involvement of technicians and managers of HEIs, to ensure greater efficiency in the strategies implementation. Such professionals know the HEI reality at different levels, allowing greater gains on data selectivity, and less time in planning activities (Ferreira *et al.*, 2006).

It is noteworthy that there are important differences between the perspectives of private and public HEIs regarding their behavior to the market (Cunha, 2011). Public HEIs basically follow a bureaucratic model established by federal law, whereas in private institutions there is the problem of confronting productivity and fierce competition among those who view the higher education as a great business opportunity (Cunha, 2011; Mainardes, Miranda & Correia, 2011).

Thus, each type of institution being public or private, has its own challenges and specificities in the development processes of strategic planning and institutional development (Cunha, 2011). In this sense, the issues inherent to institutions strategic plans must be well discussed and should no longer be based on "intuitively" decisions or based on unreliable procedures (Trigueiro, 2000).

3. Methodology

This paper is characterized as qualitative and descriptive comparative case study, of which the main objective was to identify through discreet compared analysis the governance structures of two higher education institutions, being one public and another private in the city of Lavras, Minas Gerais- Brazil, and analyze the governance structures as a way of supporting the development of these institutions strategic planning.

A case study represents an empirical research inquiry where the goal is to investigate as a unit, the important characteristics for the research study object (Gil, 1995; Yin, 2011). As Yin (2011) postulates, the descriptive qualitative research is based on the interpretation of the phenomena and the attribution of meaning, being the natural environment the direct source of data collection and the researcher the key instrument. In this sense, qualitative research is indicated when there is a greater concern with the understanding of a subject, and not aiming generalizations (Bauer, Gaskell, 2007).

The discreet comparative analysis first proposed by Simon (1978) cited by Williamson (1991) emerged into the New Institutional Economics context (Coase, 1937) and consists of comparing different governance structures – already addressed in the theoretical framework of this study (market, hybrid, hierarchy) – aiming to choose the one that allows the minimization of transaction costs (Rodrigues, Morais, Cruz, & Almeida, 2011; Zylbersztajn, 1995). As emphasized by Rodrigues *et al.* (2011), this technique proved useful once provided a more solid analytical framework for the New Institutional Economics.

The data used for the composition of this study were from primary and secondary sources. Secondary data were obtained from literature on governance structures and strategic planning in HEIs, in addition to the websites of the institutions. Primary data were collected from semi-structured interviews with the HEIs' managers responsible for the strategic planning; the interviews were recorded with previous authorization of the respondents.

After organizing the secondary data and transcribing the interviews, content analysis was carried out, which according to Bardin (2010) is a set of communication analysis techniques, using systematic procedures and description of the objectives of message content. The content analysis relates the semantic structures (signifiers) with sociological structures (meanings) of the statements (Minayo, 2007). That is, the content analysis allows the creation of categories which help and clarify the interpretation of qualitative data (Bardin, 2010).

4. Results and discussion

4.1. Brief history of the studied HEIs

The Public HEI is a federal university founded in 1908 in Lavras-MG, as higher agricultural school. It was federalized in 1963 (federal higher agricultural school) and became a federal university in 1994. Currently it holds 30 undergraduate and 46 postgraduate courses among masters, professional masters and doctorate, covering the areas of health, education,

humanities and engineering. The institution is a national reference for agricultural science courses, especially the Agronomy and Agricultural Engineering courses.

The Private HEI is a university center founded in 1965 also in Lavras, MG. It was created as a Foundation of Philosophy, Science and Linguistics Faculty, in 1976 it was transformed into Educational Foundation of Lavras and later in 2001 the government of Minas Gerais accredited the institution as an university center. Currently the institution holds 12 undergraduate and four post graduate courses (specialization) covering the areas of health, education, humanities and engineering. The institution is a regional reference for health courses: Dentistry, Pharmacy, Physiotherapy and Nursing. Table 2 presents a summary profile of the studied HEIs.

Table 2. Profile of the studied heigher eduction institutions.

Characteristic	Public HEI	Private HEI
Foundation year	1908	1965
Estimated number of students	16.500	3.200
Number of faculty members	505	185
Number of administrative staff	569	187
Number of offered courses	30 undergraduate courses 46 post graduate courses	12 undergraduate courses 4 post graduate courses

Souce: HEIs website and data from interviews with managers.

Elaborated based on Meyer Jr. *et al.* (2012).

4.2. Analysis of transactions and governance forms of the studied HEIs

In order to identify the governance form adopted by each study HEIs, it was sought, through interviews with the managers responsible for the strategic planning in the institutions, know how are carried out the transactions of each of the fifteen types of services listed in Table 3, that it was sought to know if the service is carried out by the institution itself, if it is done via the market (outsourced) or if it is done in combined form (partially within the institution and partially outsourced).

Table 3. List of the services provided in higher education institutions.

Services carried out in HEIs (alphabetical order disposition)	
1. Administrative Technicians service	9. Photocopier (xerox) service
2. Buildings Maintenance service	10. Secretary service
3. Canteen service	11. Security service

4. Cleaning service	12. Teaching service
5. Information Technology service	13. Transport Service
6. Laboratorial service	14. University Management service
7. Library service	15. University Restaurant service
8. Machinery & Equipment Maintenance service	

Source: prepared by the authors based on secondary data.

As pointed out by the interviewee A – strategic planning superintendent of the public HEI – only the library and teaching services are made exclusively by the institution itself. For him these services are connected to the key-activities of the institution and as long as possible should be performed internally. The respondent adds:

"(...) at the library the only outsourced thing is the cleaning service, as for its key-activities none of them are outsourced. Regarding the teaching service, we don't outsource it." – *Interviewee A – Public HEI*.

Regarding the services that are not performed by the institution, that is, which are done via the market (outsourced) the respondent pointed out the following: security; photocopier; cleaning; canteen and; buildings maintenance services. And lastly, it was identified those services which are partly outsourced and partly done by the institution, these are: transport; information technology; institution management; university restaurant; machinery and equipment maintenance; laboratorial, administrative technicians and; secretary services.

As pointed out by the respondent from the services that are outsourced or partially outsourced some should not be, that is, they should be carried out by the institution:

"Institution management, administrative technicians and the secretary services shouldn't be outsourced. There should be an availability of public employees for these services, but unfortunately the increase in the number of servers doesn't follow the growth of the institution. I'm left with no alternative, but to outsource." – *Interviewee A – Public HEI*.

It is noticed that for services taken as "office services" the ideal would be that they were carried out by the HEI itself, however, by relying on federal resources and public notices for hiring staff this is compromised, forcing the institution to outsource. In this sense, it was asked for the respondent what were the advantages and disadvantages of outsourcing for the institution, and according to him:

"The main advantages are: the possibility of working with a quantitative staff that follows the demand seasonality; decentralization of the management workforce and their costs; simplified hiring and layoff processes; possibility of hiring specialized professionals who are not part of the Technical and Administrative Education Career Plan. As disadvantages, I see: significant impairment the institution's budgetary limit; need for greater supervision of the services provided by the management staff and; difficulty on maintaining a standard quality on customer service." – *Interviewee A – Public HEI*.

Complementarily it was asked what were the advantages and disadvantages of the non-outsourced services, the respondent's remarks were:

"The main advantage of outsourcing is greater control of the performed activities, and the major disadvantage is the accommodation, lack of commitment of the staff." –

Interviewee A – Public HEI.

It was also sought to know the manager's opinion regarding the law project 4.330/04, approved on 04/08/2015 by the Chamber of Deputies that deals with outsourcing. The position of the respondent was as follows:

"The greatest impact of this law will be in the budget. This new outsourcing law will require deeper analysis about the activities that previously were exclusive of the institution and that now can be outsourced. Having found that outsourcing is the most economical solution, the institution should perform it, action which can lead to an optimization of resources usage from a budgetary standpoint, but that can lead to dissatisfaction from the human resources policy and career enhancement perspective."

– Interviewee A – Public HEI.

At last, the interviewee was asked about the main specific assets of the institution, and according to him they are "without a doubt" the teaching services.

As for the incentive and control mechanisms, the respondent pointed out that they are bound by the Servers Capacity Building Plan which is in line with the Law no. 11,091/05 which deals with the career plan of technical and administrative positions in education. With respect to market transactions, these are governed by contracts which are mostly of a continuing nature, that is, if there is a need and interest of the administration, the contractual term could be extended up to 60 months (art. 57, II, Law. 8,666/93).

It was observed then that the majority of transactions (services) carried out by the institution occurs through the market and also via hybrid form, being only the library and teaching services occurring internally. It then can be said that governance structure adopted by public HEI is hybrid with a predominance of market transactions. Figure 3 shows a sketch of the services position in the chart proposed by Williamson (1991).

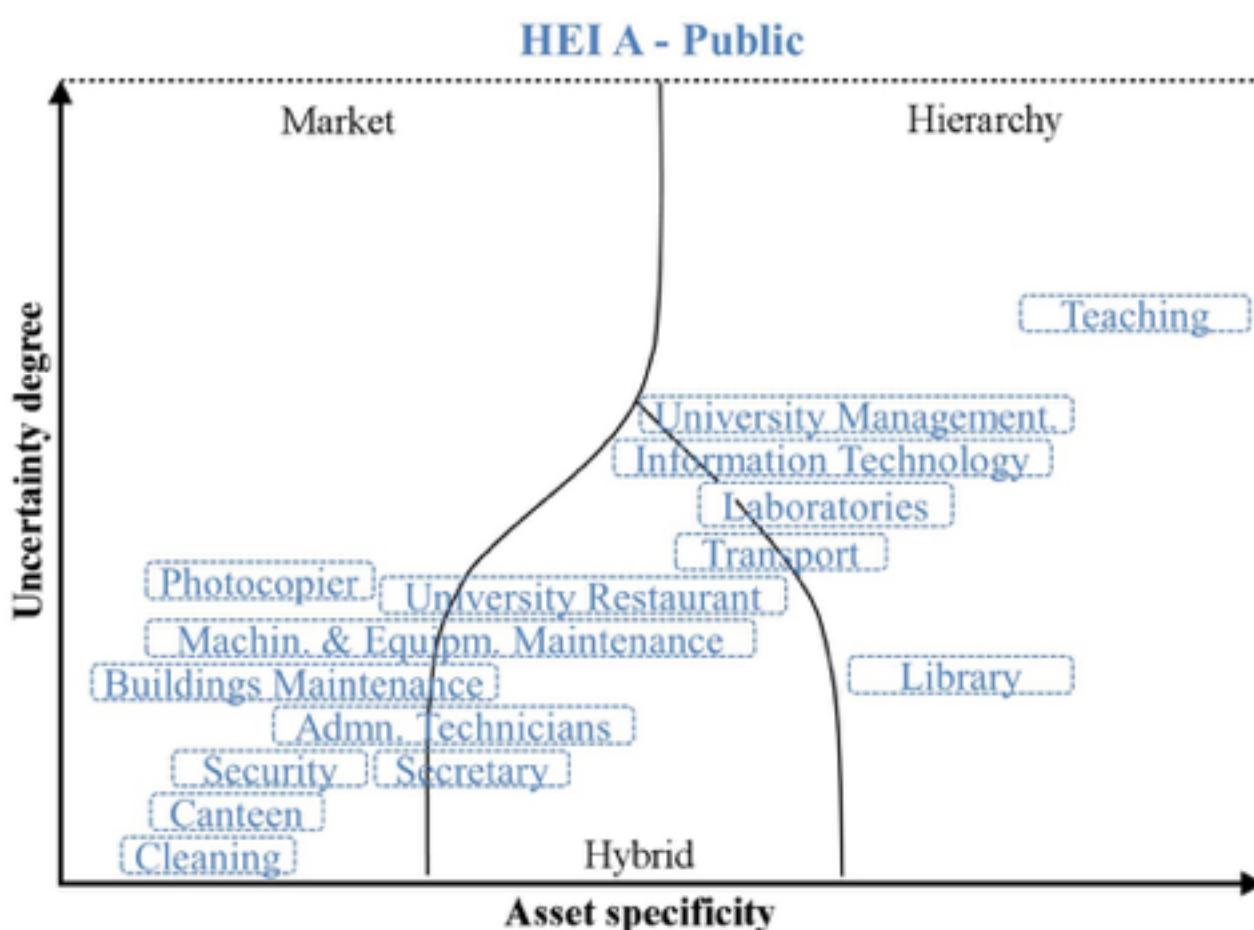


Figure 3. Services position and governance forms sketch for the public HEI.

Source: prepared by the authors based on research data, Otto and Chobotová (2013) and Williamson (1991).

On the other hand, the private institution displayed very different characteristics in their transactions. It was noticed that of the fifteen services listed in Table 3, only two (buildings maintenance and canteen) are fully carried via the market. As highlighted by the interviewee B,

institution's strategic planning pro-rector:

"In terms of outsourcing, we've already outsourced many things, drivers, doormen, janitors, etc. and it didn't work (...) we understand that within an educational institution, every employee is an educator. He (the employee) has to set the example, education is the example. (...) A person who comes from the outside (outsourced) does not have the commitment to education, does not feel part of the institution." - *Interviewee B – Private HEI.*

As for services that are partially outsourced, the interviewee pointed out: 1) the I.T. service where, he said, some systems (software) come from "outside" but there is an internal team that coordinates the entire process and; 2) the photocopier service (xerox) where the machines are rented, but all the work is done by employees of the institution.

All the other services are carried out within the institution itself. The respondent justifies this more hierarchical position of the institution when asked about the advantages and disadvantages of outsourcing:

"The advantage of outsourcing is when it's more efficient than you (...) if I'm not efficient at something, I have to outsource; hire someone that does it better than I do." - *Interviewee B – Private HEI.*

The interviewee also points out that:

"The private institution has to have agility. The public institution is huge, giant, slow, bureaucratic. Then our differential is to be agile, innovative, immediate. We survived with students' tuitions, so if you don't treat them well, if that students are not "delighted" with you, they go away. So, if we're not efficient, we perish. We're out of the game!" - *Interviewee B – Private HEI.*

It can be seen then that by internalizing most of the services, the institution has greater autonomy, flexibility and speed of response against the market and competitors. So when asked what are the main specific assets of the institution the interviewee claimed it is the people, with special attention to professors:

"It is very hard to copy the people's way (...) the commitment and the love of these people for what they do. (...) The teacher is often not aware of the role and power he has to transform lives! (...) So the main assets in our institution are the people, for sure! Everything you can easily copy is not a specific asset, so it's not easy to copy people!" - *Interviewee B – Private HEI.*

Regarding the incentive mechanisms, the interviewee points out:

"The employees have "voice" within the company. They are heard, they contribute with ideas and are rewarded for it. We've done this for many years, this motivation for people to be heard. Another thing, when the employee enters the institution he receives a scholarship, so he can professionalize and grow within the institution." - *Interviewee B – Private HEI.*

It was not highlighted by the interviewee what are the control mechanisms adopted in the institution. Finally, regarding e outsourcing contracts the interviewee noted that are classic market contracts, taking into account that the choice of a service provider is not always by the lowest price but the best value for money.

As shown in Figure 4, most of the transactions (services) carried out by the private HEI occur within the institution itself. Only two services occur in hybrid form (I.T. and photocopier) and only two others occur via market (canteen and buildings maintenance). Thus, it is possible to say that the predominant form of governance in the institution is the hybrid with strong hierarchy traits.

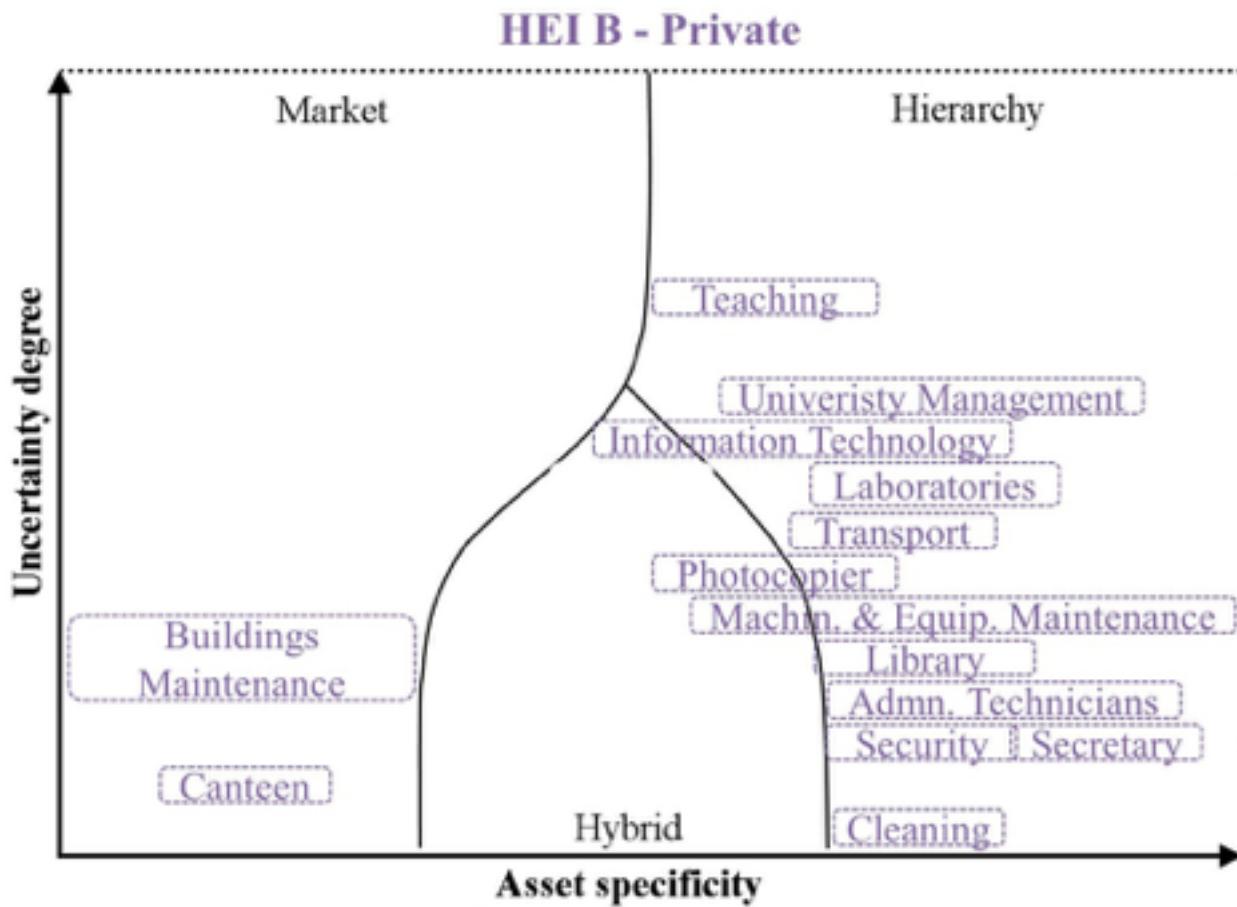


Figure 4. Services position and governance forms sketch for the private HEI.
Source: prepared by the authors based on research data, Otto and Chobotová (2013) and Williamson (1991).

4.3. Comparative analysis of the governance forms and implications for strategic planning

After identifying the predominant governance forms in the studied institutions (public HEI: hybrid market-focused; private HEI: hybrid hierarchy-focused), it was sought to understand the implications of these adopted structures in the strategic planning of these HEIs. In this regard, the managers were asked questions regarding the main threats, opportunities, strengths and weaknesses, as well as the main goals and objectives the institutions. Table 4 presents a synthetic sketch of the SWOT analysis of the institutions based on the interviewees' speech.

Table 4. HEI's SWOT analysis sketch

Public HEI	Private HEI
Strengths	Strengths
High level of employees' qualification; Investment in the training of employees; Renown of the institution; Quality of teaching and research; Geographic location.	Personalized assistance to students; Valuing and training of employees; Agility and flexibility facing the market requirements (opening and closing of courses); Scholarship for students in need.
Weaknesses	Weaknesses
Lack of budgetary resources; bureaucratic management processes.	Having to pay to study (difficulties in attracting potential students who can't

	afford paying); Only source of revenue (students' tuition).
Threats	Threats
Changes in government policies and guidelines for higher education; Economic recession in the country; Changes in legislation; Increased supply of similar courses in the region; Demographic developments; Lack of investment in infrastructure in the city; Unattractive career path for servers.	Predatory competition; Lack of a long-term government plan for student financing (FIES); Country's economic environment (recession); Increased supply of similar courses in the region;
Opportunities	Opportunities
Expansion in education programs support; Government investment in new courses; New contracts, agreements and conventions; Research and extension; Increase in the number of vacancies in undergraduate and graduate courses; Increase in resources for student assistance.	Agility on new courses creation; Meet the market demands (regional level); Creation of distance education courses in the surrounding cities;

Source: prepared by the authors based on interviews with managers.

Concerning the objectives and goals, the public institution manager states:

"The strategic objectives of the institution are detailed in the Institutional Development Plan (IDP), however, I highlight: internationalization; undergraduate courses expansion (mainly engineering and medicine); change in organizational structure; modernization of the management system; advances in technological innovation management; development of multidisciplinary groups; reference center in extension and; continuous improvement in the quality of undergraduate and graduate programs." – *Interviewee A – Public HEI.*

Still according to the interviewee, the plans are periodically reviewed so that the greatest number of goals can be met within the proposed time frame and also that for new demands for the institution can be included.

As for the objectives and goals of the private institution, the interviewee points out:

"One of our main goals is to create active learning methodologies, we want to innovate the way of teaching. If you evaluate, the only sector that have changed little in the last 100 or 200 years, was education. We want our teachers to adapt to our students, not the other way around. The world today is different and we want to innovate in order to meet these demands." – *Interviewee B – Private HEI.*

As the interviewee complements, the aim of the institution is to be regional reference in education through innovation:

"We want to be an institution that educates not only "future employees", but rather entrepreneurs. Professionals who generate jobs, who create, innovate." – *Interviewee B – Private HEI.*

For public HEI it can be noticed that in its governance structure there is a trend towards outsourcing services that do not relate to its core competence (which can be seen on the

strengths of the institution), given the focus on coaching and training of their employees, mainly staff and faculty members. However, it became clear the bureaucratic barriers and limitations of financial resources suffered by the institution. As pointed out by Mainardes, Miranda and Correia (2011) and Pessoa (2000), the management of public higher education institutions is fraught with difficulties, ranging from the lack of resources, to the rigidity of the administrative structure. This rigidity in the administrative structure limits the autonomy and flexibility of the institution, so the services are hardened in forms of standard contracts; and as the literature on governance structures postulates, the ideal way to conduct transactions via standard contracts is the market (Mourad and Zylberstajn, 2010; Williamson, 1991).

Regarding the private HEI it is observed greater flexibility and autonomy in its management processes, a fact which is favored by its hierarchical character of governance structure, which according to Crook *et al.* (2013) and Williamson (1991) allows for greater monitoring of activities and agility in conflict resolution. By considering people as its main specific asset, the private HEI is consonant with its hierarchical character of governance structure, because as postulated by Williamson (1991) the more specific the assets, the greater the tendency to adopt hierarchical modes of governance.

It is noticed that the form of governance adopted has direct influence on the development of the strategic planning process. Thus, the institutions should be aware if the transaction costs of the current form of governance adopted by them are compatible with the proposed objectives and goals. Finally, regaining Gaspar *et al.* (2007) thinking, HEIs are quite unique institutions when compared to other organizations, so the analysis in this work can be seen as simplistic considering their complexity and the institutional environment in which they operate.

5. Concluding remarks

This study sought to identify the governance structures of two HEIs, one public and another private in the city Lavras, Minas Gerais – Brazil, and analyze such governance structures in order to support the development of strategic planning.

The results indicated that for the public institution its form of governance is hybrid with predominant market features, since, from the 15 named services, only two (teaching and library services) are completely held within the institution. All other services are carried out or via market (total of five services: cleaning, canteen, security, building maintenance and, photocopiers) or via hybrid form (total of 8 services: secretariat; administrative staff; maintenance of machinery and equipment; university restaurant; transport; laboratories; information technology and; university management).

Regarding the private HEI, the only service that is not carried out by the institution is the university restaurant, as for the others, the adopted governance structure was completely different from the one adopted by the public HEI. From the 14 named services only two are completely carried out via market (canteen and, building maintenance) all others are conducted or by hybrid form (total of 3 services: maintenance of machinery and equipment, photocopiers and; information technology) or by hierarchy (total of 9 services: cleaning, security, secretary, administrative technician, library, transportation, laboratories, university management and teaching) and the governance structure is characterized as a hybrid with predominant hierarchy characteristics.

It is also evident that these governance forms adopted by the studied HEIs have direct influence on strategic planning formulation and; in order to formulate and think about future goals and aims, the institutions should be attentive to forms of governance in a way of minimizing transaction costs within the adopted governance structure.

As for research has limitations, since it is a comparative case study between two institutions, the results of this paper should not be generalized and not inferred in other contexts. So, it is suggested for future studies, greater deepening regarding the forms of governance adopted by HEIs and the implications for strategic planning through studies in other contexts, with a

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