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AGENTA ROMÂNĂ
DE ASIGURARE A
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ENTREPRENEURIAL BEHAVIOR OF HIGHER EDUCATION INSTITUTIONS IN THE CONTEXT OF THE KNOWLEDGE BASED SOCIETY

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The 2nd International Conference: Institutional Strategic Quality Management ISQM2010, 14-16 October
2010

Overview

- This paper focuses on steps taken and plans for turning universities into genuine business providers of education that can perform research and develop economic activities.
- The cases of Nottingham University and Lancaster University are analyzed, both of them illustrating efficient entrepreneurial behaviour. From their practices and activities we draw a basis of income generation strategies, and furthermore, procedures for internal allocation of resources.
- The second part of this paper focuses on Romanian universities and their evolution since

1990.

Motivation

- Innovations that universities bring, but also their entrepreneurship efforts, lead to a faster creation of knowledge and to its transfer in economic and social practice, contributing to the concept of knowledge based society.
- The research starting point were the case studies reported in the countries participating in European Universities for Entrepreneurship - their Role in the Europe of Knowledge (**EUEREK**) which suggest that severe financial constraints may inhibit creative entrepreneurship because many innovations require **initial investment** and some **financial risks** that institutions with limited resources are not willing to take.

Lisbon Strategy highlights the current priorities at EU level

- ❑ Investment in research;
- ❑ Science and innovation;
- ❑ The development of a competitive business environment;
- ❑ Labor market adaptation according to the demographic challenges and
- ❑ Energy policy and climate changes.

What does it mean?

- ❑ Expressions such as "**the entrepreneurial university**," "**academic capitalism**" , "**intellectual entrepreneurship**" .
- ❑ The university as a public utility institution with the mission to provide education can be seen in terms of organization and management as **an enterprise** with a specific business object.
- ❑ The university is led by the teaching staff, by self-management and not by professional management. From this perspective the university is not an entrepreneurial or management organization.
- ❑ The **entrepreneurial character is given by the management style used and also by entrepreneurial activities undertaken** to fulfil the mission of education.

The major financial indicators for assessing the potential of the business activities of the universities are:

- ❑ The sources of income (**public**, represented by budgetary allocations and **private**, represented by their own income);
- ❑ The mechanisms by which income is received;
- ❑ The procedures for allocating resources within the institutions.

Why Funding is important

- The funding is the key indicator in the management of any business activities because any innovation requires risks taking and has an economic dimension.
- If a university is not authorized to retain and manage autonomously their own generated revenues, there isn't an economic incentive to supplement the budgetary allocations through the sale of academic services.
- The financial constraints and opportunities are the key factors of the entrepreneurial activity orientation.

The allocation issue

- Typically, any additional income arising from research and teaching is cashed at the university central level and not at the level of university's faculties, departments or work teams.
- Such arrangements do not encourage entrepreneurial behaviour at individual level or working group's level in the university.

Five different categories of entrepreneurial behaviour can be observed in the EUEREK project:

- ❑ private universities that have the advantage of the new entrants into higher education (English universities have private profile and are similar to the U.S. universities where governing organisms are similar to corporate management boards);
- ❑ institutions highly involved in terms of entrepreneurship stimulated by government initiatives;
- ❑ major independent institutions involved from the entrepreneurial perspective but not directly stimulated by government initiatives;
- ❑ small departments, faculties and research centres;
- ❑ education with the help of associate teaching staff, research and counselling by involving each individual academic staff.

Nottingham University (characterized as being research oriented)

- ❑ permanent financial balance, despite the constraints of public financing.
 - ❑ reserve held from the income surplus obtained following the variety of income generating activities.
 - ❑ in 2004, the accumulated reserves held attained almost 40% of revenues.
 - ❑ even so, the university could not afford taking significant risks.
 - ❑ financial strategy and the internal allocation of resources are closely aligned with the management strategic objectives.
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Nottingham University entrepreneurial activities

- ❑ funding of voluntary in advance retirement plan of staff who contribute less significantly to revenues growth of university;
- ❑ initial funding of those teaching positions that can be auto-financed through results of educational processes and through research findings;
- ❑ the coverage of at least the costs of providing research services to sponsors and other customers;
- ❑ use of a part of university invested capital in projects associated with the process of teaching, research and social facilities in order to improve and maintain the pace of development in the future.
- ❑ increasing the proportion of foreign students who pay full school fees.
- ❑ finding and developing opportunities for exploitation through government authorities and organisms the research results obtained by teaching staff;
- ❑ funding allocations to departments based on the gains made by these for university, meaning practicing an incentive funding at departmental level, depending on the incomes generated.

University of Nottingham facts and figures

- ❑ The departments (faculties) receive their gross income from which they have to pay their costs proportionally to: (1) their consumption of utilities (energy, maintenance, library and other important services), (2) their own share in the strategic budget managed by university.
- ❑ Office for Research and Innovation Services, has 45 employees.
- ❑ The entire entrepreneurial activity research is valued at 222 million per year which is approximately half of total revenues.
- ❑ About 15-20 million of the revenues from entrepreneurial research are from industry. University holds equity capital or is a partner in 27 satellite companies (spin-out companies).
- ❑ This holding of corporate shares expresses explicitly an entrepreneurial behaviour.

Lancaster University (illustrative entrepreneurial behaviour)

- ❑ Lancaster University was the first UK University to float a Debenture on the stock exchange and launched its £35 million First Mortgage Debenture Stock in April 1995.
- ❑ This was to fund capital investments on the campus which included an extension to the existing Library and the creation of the Ruskin Library.
- ❑ Around £45 million will be spent on redeeming the outstanding 9.875% debenture, including compensation to the bond holders for redeeming the bond early.
- ❑ The existing bond is due to mature in 2025.
- ❑ Has announced plans to refinance its 1995 Debenture Stock. The redemption will be effected through a new facility agreement with the Royal Bank of Scotland (RBS).
- ❑ The University has also secured credit approved terms from RBS for a revolving credit facility to support its ongoing Capital programme.

Lancaster University facts and figures

- ❑ Lancaster's financial security places the institution in the top group of UK universities.
 - ❑ Over the past 7 years the University's compound annual growth rate has averaged 9.3%, research income has increased by 68% and dependence on HEFCE funds has fallen to 29% as income streams have diversified.
 - ❑ In 2007, the University's credit rating was raised to 'A' from 'A-' by Standard & Poor's Ratings Services.
 - ❑ More than £300m has been invested into the estate over the last 5 years, transforming the campus.
 - ❑ Key developments include new academic centres of excellence, student social facilities, and improved teaching spaces and one of the largest student residences project in the UK with 3385 new rooms.
 - ❑ The latest phase of building has resulted in a further 963 'eco friendly' rooms which have won a number of environmental awards.
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The case of Romania

- The market of consumption of higher education (learning and teaching, research and services / facilities for students) has grown intensively but is still flawed in certain areas.
 - Any surplus from universities' or faculties' own revenues (from study fees) cannot be reinvested; instead it is **redistributed, to cover financing needs of faculties with a deficit due to the low numbers of students** (low income from study fees), condition that is at least inappropriate, even morally wrong.
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The case of Romania – facts and figures

- Growing number of new universities and increasing the number of faculties and departments under their control.
 - If in 1990 there were no private universities, at the end of 2005 were registered and accredited 49 private universities where the number of state-funded ones has doubled.
 - On average, annually, they were set up about 4 public and private universities. For example, Babes-Bolyai University (BBU), Cluj grew departments and faculty from 7 in 1990 to 20 in 2005.
 - The Exponential growth of the number of university programs of study (specialization). For example, the BBU has seen an increase of the specializations from 19 in 1990 to over 100 in 2005.
 - Diversification of ways of knowledge delivery. Thus, by 2005, new methods such as distance education (distance-learning courses), e-learning (combined web-based learning) and interactive learning in front (face to face interactions) were applied for 26 specializations on more than 4,000 university students.
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Romanian universities should focus on:

- ❑ In order to be considered prestigious universities, they should be aggressive, innovative, proactive and responsive to the needs of individuals with interest in education (students, employers, local communities etc.)
- ❑ the reaction of universities on the specific markets in which they operate;
- ❑ the diversification of financial resources types;
- ❑ the expansion of entrepreneurial activities and the stimulation of entrepreneurial attitude in the academic departments;
- ❑ encouragement of an entrepreneurial culture within the organizational culture;
- ❑ promoting academic entrepreneurial governance.

Conclusions

- If the innovations that universities bring and the assumed risks lead to a faster creation of knowledge and to their transfer in economic and social practice, then their entrepreneurship contributes towards the knowledge based society.
- Governments can stimulate entrepreneurial behaviour of universities by the mechanisms used for allocating resources, and this research is aimed at raising awareness of the authorities.