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Concept Paper: Why Managing Universities like Entrepreneurs Will Solve Financial Problems in Institutions of Higher Learning

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Abstract

All over the world today, university managers and administrators complain about the lack of funding support from the government for their establishment. In the UK, a few universities are already at risk of being closed down due to financial difficulties. In Malaysia, the budget allocated for public universities has also been slashed significantly causing a lot of discomfort among university administrators. Ironically, universities by default are full of *potential* wealth from the one source they are supposed to have abundance – their intellects. While some universities suffer, other successful universities prosper by focusing on capitalizing on their biggest assets – their highly qualified staff and the commercialization of their inventions and innovation that are produced from their own minds and hard work. Intellectual properties and other lucrative spin-off become their major source of income. Looking closer, the way governments want their public universities to be run appear to be more and more synonymous to the way a small startup company should be run. Governments seem to want these universities to be self-sustained, well managed, independent from any chronic financial support, to name a few. Governments appear to be hoping that universities have enough *intelligence* to be financially independent. However, the message did not appear to be transmitted or understood well enough. Instead, wasteful projects, mismanagement of institutions, incompetent leadership and financial abuse are common problems in universities today. This paper proposes a concept that is simple to adopt. Run universities like a good entrepreneur. By focusing on the institution's biggest assets – their staff, knowing the institution strength, accepting their own limitations and appreciating their resources, universities should be able to be self-sustained like a good successful company. Governments too, must choose administrators with successful entrepreneur experience and mindset thus, less from irrelevant overly glorified academic background. And like all entrepreneurs who value their staff, universities should capitalize and value better their biggest asset of all – their highly qualified staff.

Keywords: University Entrepreneurialism, Entrepreneur Mindset, University Financial Crisis, University Commercialization, University Management

Introduction

The financial crisis in public institutions of higher learning (PIHL) around the world appear to be getting more serious lately. In the UK, University of Reading and University of Cardiff have buckled to financial stress and warned staff of possible job redundancy (Adams, 2018). University of Reading had to mortgage their land to make ends meet too (McGettigan & Adams, 2019). Other universities have closed down due to bankruptcy (Busta, 2019). Malaysia too is not immune to this problem. Administrators and managers of Malaysian public universities (PU) have voiced their concern over government budget cuts to education. Even the public too have voiced their concern (Abdullah, 2017). Year after year, public institutions of higher learning complain how difficult it is to sustain due to government budget cuts, dwindling number of students and increase expenditure in operational costs. But merely accepting this trend is not going to solve the problem. Instead, one should observe institutions which have thrived year after year with abundance of financial success and asks, 'how come they can do well?' For instance, private universities in Malaysia sustain operations with minimal or no financial support from the government. National University of Singapore (NUS) is one of the wealthiest universities in the world. Harvard University in the USA is the wealthiest university in the world (Anon, 2018).

In this paper, a concept is proposed to solve this common problem in PIHL. As fundamental as it may sound, proper financial planning, exceptional management skills, and above all, good leadership are essential in any successful organizations. Universities are not excluded from this rule. Shattock (2010) reviews the strategic planning process in universities and highlights how some key comparisons can be made with those of already successful companies. For an entrepreneur, running a company requires huge amount of intricate planning and the foundation of that plan is a solid financial planning. Any true entrepreneur will claim that the blood flow of their company is money, so proper planning and executing of that plan is a matter of survival. Most entrepreneurs do not depend on governments for financial support. Yet, they survive and some thrive. This is the ownership mindset of successful entrepreneurs – all responsibilities over the success or failure of their company lies on no one else but them. In fact, in business, depending too much on financial support to stay afloat over a long period is a strong indication that the company may be in trouble in more ways than finance. Arguably, a good indicator for success in a company is if it can be financially independent and capable of generating its own income over a long period. For PIHL, this is what governments appear to hope, that these universities too, can be independent from the government financial support or at least, self-generate a sustainable annual income with proper growth so that those financial support can be reduced or ideally removed from universities. In fact, institutions of higher learning should have done better than private companies in every way due to the huge financial support they have already receive from government every year to purchase equipment, hire qualified staff and to maintain abundance of resources that companies usually do not have.

For universities to survive without government funding, such fundamental entrepreneurial mentality must be adopted. For a new startup company, it is common to run the company 'bootstrap'. This means that the entrepreneur has to use whatever resources he has, to be frugal and shrewd to maximize income and equally important, eliminate waste. Such aggressive mentality and most importantly, action, from the administrators of

universities will bring positive impact to the universities even with a reduced government financial support. The right entrepreneur mindset must be installed first in PIHL to achieve the financial visions of the government.

The Reward from Entrepreneurial Mindset

For a company, much of the success or failure rests on the shoulders of the people in it. And much of the success or failure of those people depend on the leader who leads them. Sometimes the owner of the company is also the one who runs the company hence, the Chief Executive Officer (CEO). Ownership is a huge factor psychologically and emotionally to drive the success of a company. The CEO's responsibility is to ensure that every faculty in the company works like a well-oiled money making machine. He or she is someone who is accountable for the success or failure of the establishment including in financial abundance, or the lack of it.

With a clear understanding that it is the people in the workforce that are behind 'the make or break' of any establishment, the financial problem for institutions of higher learning starts from the people whom have been tasked to find the money. The academicians, in their natural and traditional mindsets, are to educate and to research, and not to make money for universities. Most of the academicians did not go to business school or have any basic sales and marketing training, experience or skills. They did not have to because they chose to master their own chosen field of interest.

Previously the purpose and vision of the university were simple. Today, the purpose and vision are bombarded with academic and research targets, administrative responsibilities and on top of those, making money goals which have all been bundled up into, and forced upon the staff as Key Performance Index (KPI) – everything that has to be done and achieved, or else. Such actions have only caused demoralization of staff and subsequently fail to solve the issue for the entire establishment.

Successful entrepreneurs pride making things simple to understand. Firstly, for themselves because they do not have time to waste on complicated mess. Secondly, making things simple makes their workforce understand easier and motivates them to achieve the leader's vision as well as the goals of the establishment. Entrepreneurs also have to make things simple to understand for their customers when selling their products and services. No one wants to buy anything they do not understand. This is the way entrepreneurs have been tuned – to keep things simple for the benefit of everyone especially, the company. Setting a clear, simple and achievable purpose and vision of the university to align the people in it as a team to solve problems, is probably the most important first task the administrators of the universities must do. This is to align the people to understand and embrace what are most important for their establishment, for themselves and the leaders they serve. It is important to make them the part of the solution – a sense of belonging and ownership to the problem (for example, finance) and the solution, to achieve a mission higher than themselves – for the students, for the country or for something greater than that. Leadership is not KPI. It is beyond KPI. With the right leadership, universities do not need KPI because those highly trained professional academicians are already primed and tuned to produce and contribute to the

establishment. The only missing link, is a good leader to channel (capitalize) their energy and results.

Changing the Mindset to Solve Financial Issues

Most academics in universities are not tuned to make money – their mindset is different. Had they had passion in making a lot of money, they probably would not become academicians in the first place. They would become businessperson or trained themselves to become high-income employee of a well-ran company. Academicians are traditionally interested in teaching and research – period. This is why they join universities – to teach and to research, to contribute to society. Any relatively new 'change' to this tradition requires nothing less than a proper re-programming of a culture. Most universities enforce the change by 'force' through their biggest weapon of all – the KPI. This is wrong – as any successful company CEO would agree that if the leader treats their employees well, the employees would run the company well for them. The administrators of PIHL themselves must have the correct mindset. Only then can proper actions be taken to install the new change in culture among the workforce.

An entrepreneur will agree that the formula to make money is rather simple. The company has to exchange the money from customers with the products or services they want to sell. The more important the solution is to the customers the more money will be exchanged. However, this might not be obvious to an academician. Training academicians to make money is synonymous to training sales staff in a company. Selling is the only way to make sustainable money for universities in the end and if financial dependency on government need to stop or reduced, then such training is necessary for these untrained academicians.

Looking at other universities who have successfully achieved financial abundance, they thrive on solving big problems that not many people in the world can or like to solve. For example, problems on environment, global warming, communication and space travel. As leaders of these institutions of higher learning, choosing wisely which world problem to solve, and be paid well for it, is a great potential solution to their establishment financial problem. One might say a huge investment is needed to solve such problem – but the institutions are already being funded by the government. It is a matter of money management, again. It is the mindset.

As leaders of this highly qualified academician, administrators and managers of these PIHL must 'lead' the troops – instead of forcing them from behind to solve financial issues. Any owner of a company will terminate such CEO who have been hired and paid well to lead but instead, herding from behind.

If such actions have been taken, then the next important step for the administrators of these universities to take is to stop the outflow of waste.

Sealing Financial Leak, Reducing Waste and Turning 'Waste' into Income

The financial performance of an establishment, such as a company, depends on how much contribution it has made to the world it serves and the amount of money it gets paid for doing

it. This is the income. At the same time, entrepreneurs pay high attention to the outflow of money from their company too. This makes good common sense because what good is a strong in-flow of money if the out-flow is bigger. A huge role of an entrepreneur is to manage and monitor the amount of money spent particularly on things that are wasteful and suspicious.

Many reports have been made about universities complaining the reduction in budget allocated for their establishments by their governments. But there is hardly any study published, detailed or otherwise, on how each one of these universities spent their budget from the government. In a company, accounting auditors will audit and publish well the reports annually. The same should be done for public universities. From such reports and if made public, wasteful spending and dubious actions of corruption and abuse of funds in the university can be stopped or at least controlled. Although a few leaders have been caught and prosecuted (Rahim, 2018), (Kaur, 2016), (Anon, 2018), so much still need to be done. Some of these type of wasteful spending and dubious actions today have been highlighted by Sirat, Ahmad & Azman (2012).

Public universities are notorious when it comes to waste. Before budget cuts loom, public universities have been comfortable to receive budgets from government to spend on things that are necessary as well as on things that are not necessary (Abdullah, 2017). Not much thinking was put into using resources efficiently and well or maintaining them. Instead, expensive equipment, infrastructure and vehicles are left to waste merely a few years after purchase. Much of the habit to purchase another brand new ones have been instilled into the minds of administrators and academicians due to past practices as the government funding used to be abundance. This is no longer the case today. A new mindset is required to avoid waste and start turning what is thought to be waste into high source of income.

Although much dissatisfaction has been made about government budget allocation for PIHL, much of the resources already in the universities have been underutilized and some have been left to rot. These machines and other lucrative resources, to the eyes of entrepreneurs, are serious money making machines. A good leader in universities should be able to see this and capitalize on the 'waste' to generate huge income for the university. A good mindset of an entrepreneur is absolutely required – or at least, the administrators of PU need a good entrepreneur to work side – by – side with them to allow them to focus on these hidden gems, as has been the normal practice in the USA for a long time (Thorp & Goldstein, 2010).

For Malaysia - The Opportunity to Grow

The University and University College Act (UUCA) 1971 (Amended in 2009) is the legislative framework that stipulate the governance of PIHL in Malaysia. It bestows the government with full authority over student enrollment, staff appointment, educational programs and financing. Unlike some countries in the world, Malaysian PIHL are well funded by the government. By properly managing the funds, resources and their highly qualified staff, universities have a lot of potentially lucrative projects they can do that can generate significant income. A few authors have voiced their findings that the choice of leadership and the way they are chosen for these universities need to be changed. In short, they must be

chosen out of their capability to lead PIHL properly as credible leaders and not by other wrongful reasons. Sirat, Ahmad & Azman (2012) wrote that the selection of the most capable leaders is a strategic task that requires us to go beyond conventional practices. Again, the people inside the establishment are the determinant of the success and failure of the university – not the money.

Conclusions

It appears almost logical, in the first instance, to recommend that the solution to current financial problems in public institutions of higher education is to replace the administrators with those with strong entrepreneurial mindset with the purpose to enhance and grow academic, research and commercialization effort. For Malaysia, the UUCA 1971 maintains that the government has the ultimate control over the public universities including choosing their top administrators. It is fair and well understood that perhaps, Malaysian Government do not want these public institutions to go bankrupt after 'privatization' just like some Government Linked Companies (GLC). Some universities in the UK too are going through a similar fate. But in the long run, a change, in mindset among other things, still needs to take place in public universities in Malaysia as well as around the world when it comes to generating their own sustainable income and be financially independent. And ask any owner of any successful company, they will say that the key ingredient to making their company successful are the people in it. It always starts with the right people.

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