

Ensuring Accountability and Survival of Universities

To survive and adapt in an increasingly competitive environment, most Indian universities need to shed old mindsets. Following the practice of most business enterprises, certain universities the world over already have in place strict monitoring and accounting procedures, performance evaluation techniques and mechanisms to ensure the creation of knowledge assets.

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The higher education system of India is currently struggling to confront the realities brought on by unending and unexpected chaotic pressures created by waning governmental financial support, expectation to generate resources, and the widening gap in servicing the diverse expectations of the service users. Further, the process of liberalisation is sure to give a belated but big jolt to the educational services, for since January 1, 2005 the education sector of India is now open for overseas players. Educational administrators have reacted to these pressures largely in a short-sighted manner by cutting expenses and increasing revenues, which will impair the competitiveness of universities in the long run.

A number of options are being evaluated by educational planners to make universities responsive to societal needs. One such option, which could be successfully experimented with, is to instil accountability in the university system. It is a fact that most universities have quality human resources and good infrastructure; however, a sense of accountability is largely missing. As a result, the university system is not delivering the desired results. Therefore, a viable alternative to help institutions of higher learning survive competitive pressures is to instil some accountability into existing systems. Although there could be a number of ways of instilling accountability in a system, replicating business control systems in universities could be an effective option. This suggestion derives

strength from the fact that business history teaches us about successful creation of so many long living vibrant business enterprises whose economic power could be matched with those of some of the big nations. Why cannot we use similar wisdom to run universities?

The usefulness of the idea of adopting business control systems stems from the fact that business acumen will then pervade in the decision-making processes of the institutions of higher learning. This might facilitate in the generation of a surplus necessary for the long-run survival of educational ventures. Further, such a perspective will create a mindset of managing resources in a manner wherein output gets measured and hence evaluated. As a result, financial discipline will be institutionalised in the system. The existing mindset of getting grants takes very many things for granted and considers finances as given and accordingly universities engage themselves in actions that are primarily uncompetitive. This mindset has to change. Universities have to engage in such activities that result in useful output and hence attract finances.

Business Control Systems

Instituting business control systems in universities would help transform them into world class organisations engaged in provision of the quality service of disseminating education globally. Business enterprises are managed by accounting-based control systems primarily. So, a comparison of accounting systems operative in universities with those of business enterprises will help in understanding the difference in the quality of decision-making that emanates from accounting systems.

Educational administrators do not know the historical cost of the physical resources owned by a university. This is so because the universities are guided by single entry, cash-based, system of record keeping. A university is given a grant by the government in cash and the same stands used, by the end of the financial year, in cash. The asset, which has been purchased or generated in the process, somehow goes out of focus in the maze of cash-based single-entry system. That is why one finds more emphasis on utilisation of grants during the financial year rather than the utilisation of the assets. If one does not know the asset base, how can one comment on the efficiency of how these assets are used? The investment of public funds

in a reasonably old university will run into thousands of crores of rupees. What about the utilisation of these assets? On an average most universities remain closed for roughly half of the year. It means that physical assets worth crores of rupees remain idle for half the year. The issue of the optimal utilisation of the resources for the rest of the year can also be questioned in the light of the fact that these assets are roughly put to eight-hour use out of 24 hours in a day. No business enterprise keeps the utilisation of its assets abysmally so low.

Therefore, until we know how much investment has gone into setting up the physical infrastructure of a university, we will not be in a position to approach the issue of optimal utilisation of organisational resources and monitor the performance of the system. The alternative available is to shift to double-entry system of record keeping, a system used by business enterprises globally. Double-entry system will equip every university with a revenue and expenditure account and balance sheet. The revenue and expenditure account will reflect the sources, from which the revenue has been generated during the year and the uses, to which revenue has been put, finally reflecting surplus or deficit. One will be in a position to comment on the short-term efficiency of revenue generation processes just by having a look at the end result of this account, i.e., at the surplus or deficit. The balance sheet will portray the university's financial strength by relaying information about assets and liabilities. The contents of a balance sheet if analysed properly have the capacity to provide information about the quantum and quality of earnings likely to emerge in future. Once double entry-based accounting system is in place, one could use a number of other tools of business accounting to monitor and control different processes of the university system. The biggest advantage of shifting to the double-entry system will be that the resources of universities will be measured in financial terms and the same could become a basis for control. Further, the current importance of the budget will vanish. Its importance in the single-entry system rests on the fact that the system does not generate any other document to base decisions.

The entire university financial system revolves around the budget. However, how seriously is the exercise of building a budget taken? Further, are maximum benefits being driven out of the existing budgetary control exercise?

Universities use budgeting process which is historical by nature. We look to the previous year's budget and accordingly build the budget for next year. However, the budget is an important tool used by the business world not only to grant sanction to spend funds, but also as a means to plan, motivate, evaluate performance and exercise control over people and processes. Such a budgeting exercise is driven by future and not the past. Therefore, the way the budget is used in universities and in businesses are very different. The yearly budget in a business enterprise emanates from a long-term budget called a programme. A programme could be, for instance, five years. A programme is linked to the objective(s) of the enterprise, which are to be achieved over a long period. The yearly budget becomes a link between the current state of affairs of a business enterprise and where it intends to be in the years to come. As a result, the budget is focused on the future and not to the past. Further, every activity is anticipated in detail and the possible costs of these activities is also envisioned. This exercise is revised frequently in order to take care of changes occurring in the business environment of enterprise. However, what is the mechanism of budgeting in a university? A deep involvement of educational administrators is largely missing in this important exercise. Further, the focus is on the past. Has any university envisioned how its budget will look like 10 years hence? Surely the answer is no.

Building Knowledge-based Assets

The most important asset of a university happens to be its skilled and trained faculty. The corporate world has started employing people whose exclusive responsibility happens to be management of human capital. For example, Dow Chemicals, a US multinational, has recently created a new job title: director of intellectual asset management. Skandia Finance of Sweden has also carved out a new position titled: director of intellectual capital. The only job of such executives occupying these positions is to build up human capital of their organisations and to leverage it into financial capital. This is so because business enterprises have realised that human capital, built over a period of time, the collective knowledge, strengths and competencies that it encapsulates, happens to be the only sustainable competitive advantage an enterprise has.

More so in the case of an organisation, like the university, that is engaged in the process of creation of new knowledge and its global dissemination.

How does one ensure the optimal utilisation of this most important asset in a university? For this, one needs information about the investment made in building of this asset and the returns being generated by the same. Unfortunately, we do not have information regarding both these variables. As highlighted earlier, universities do not quantify even the investment made in physical resources, which are tangible resources. The question of quantifying human capital is beyond the comprehension of most university administrators, as it happens to be an intangible resource.

Universities are continuously adding physical infrastructure in the form of real estate without planning for the consequential strains. Maintenance of these will put on finances in the future. This seems to be an outdated mindset. A university with a modern outlook should focus primarily on the processes and modalities of upgrading the skill and knowledge base of its human resources so that it creates an excellent faculty and thus succeeds in the global business of providing world-class education. There is no need to create additional physical infrastructure for a reasonably old university. The need of the hour for such universities is to shift teaching and learning processes for students on to the web. How many universities in India have web enabled teaching courses? Why are we sticking to the age-old mindset of having a classroom that can physically accommodate, say, 50 or 100 students only? Why cannot we envision ourselves interacting with thousands of students globally through web-based teaching? This does not require creation of physical infrastructure. A university, which wants to compete in the 21st century, should seek funds to spend on the creation of new skills and knowledge base of its faculty.

A long-term vision and strategic focus is the hallmark for a changed mindset. It is this focus, which is going to guide all short-term decisions of a university. The suggested mindset will require different bases for performance evaluation. Top-ranking business enterprises globally happen to be the best because their performance evaluation and control systems are a class apart. So in order to make the work environment of universities vibrant and responsive, the system of performance evaluation has to change.

Most teachers enjoy a great measure of autonomy in their teaching and research endeavours. However, if one is not performing one's duties properly, is there a control system in place to monitor? The answer is no. If this is a reality in the university environment, then how can one expect the culture of eminence and quality to be nurtured? The fault in this process is the absence of a sophisticated control system, which differentiates people based on their performance. Universities have to design control systems that reinforce competence, speed and quality in order to create a culture of excellence.

Performance Evaluation

Universities do not have efficient performance evaluation systems which neither offer powerful positive reinforcement for quality research, effective teaching and other associated activities nor any strong negative reinforcement if one does not perform one's duties efficiently and effectively. Here is an example from the corporate world to reinforce this argument. The current process of liberalisation initiated in this country since the early 1990s has had far-reaching impact on the productivity levels of the employees working in different industries. For example, the level of productivity of the labour working in automobile sector of India has, as estimates suggest, increased by an astounding figure of 286 per cent over the period. However, what has happened to productivity levels of teachers? Has it gone up by a similar percentage during the corresponding period?

The performance evaluation system should be such that it takes universities nearer to market realities. It is not being suggested that the market should determine what is to happen within universities. Rather by taking universities closer to the market could result in a situation where universities are so sensitive to market that the former is viewed with a high degree of expectation by the market. It means that universities will determine which way the requirements of the market are now driven.

The University of Renn in France is surrounded by the offices of the top-ranking world players in the area of semiconductor and telecommunication technology any company, Nokia, Sony, Ericsson and Motorola. These companies maintain close association with the University of Renn and would like to source the innovations and products brought out

by the research labs of the university. A similar culture encouraging innovation and experimentation should be created in Indian universities.

The best-run business enterprises happen to be intensely customer-focused. These enterprises not only understand the needs of their customers but also their psyche. As a result, they can anticipate the prospective demands of their customers. Who constitute a university's customers? Have their needs been analysed? Have we ever questioned ourselves whether we have successfully equipped students with the desired skills, attitudes and mindset? Probably not. Otherwise, we would not have continued to offer the same old courses to students using age-old teaching methodology.

This exercise requires a long-term perspective. How is the faculty to be made responsive? The most obvious alternative is to make faculty responsible for revenue generation for the university in the short-term as well as for long run. This will result in evaluation and design of "products" which would be offered to the students. These products could take in the form of the number of students which one's courses attract, remunerative research projects conducted, successful training programmes, premium priced consultancy projects handled and world acclaimed research papers and books published. Depending on one's objectives, product(s) are selected. Each and every activity in which one engages is now being questioned in the context of its capacity to generate revenue for the university.

Once the faculty is made responsible for revenue generation, one will find sweeping changes in universities. A stream of new courses will be offered to the students at the beginning of academic session. Further, existing courses will be updated frequently. This variable of the performance evaluation system will also force the teachers working in those departments, which traditionally have been considered to be departments not employment-oriented, to struggle to reorient themselves and change the focus of their courses. Further, the students will be made familiar with market realities. The market driven performance evaluation system will make strengths and weaknesses of the educational system transparent. As a result, one will find coffers of universities overflowing with cash and goodwill because of the carefully nurtured competitive environment and the ability to convert the competence and skills of its faculty into revenue. Infrastructure will be put to

optimal use. One will find that apart from morning programmes, universities engaging themselves in the running of evening programmes, weekend programmes, short-term summer and winter programmes. Moreover, all these activities will be focused on revenue generation.

The revenue so generated must be partly used to make available quality education free of cost to gifted poor students. The ground realities of this nation are different. The Indian educational planners must not import or superimpose western systems of pricing education. Whatever little this nation has achieved in the past three decades or so, was mostly created in the premises of select institutions of higher learning including Indian Institutes of Technology, Indian Institutes of Management and top ranking universities. And all these institutions trained students who really deserved subsidised education.

Excellence Can Be Built Only on the Basis of Competence

Let us take the case of the University of Cape Town, one of the oldest universities in South Africa tracing its origin to 1829. This university too was faced with rising costs and declining state funds. Recently, the university embarked upon an ambitious programme of transformation, recasting its student body composition as well as restructuring its academic programmes. In a decade's time, the university has revamped itself into a global player having 11 per cent of its students drawn from other countries. How could this university do all this in such a short span? Apart from other structural changes, it created a position of finance director. This position was created to change the earlier passive approach to the management of funds. The finance director put in place a performance evaluation system that made the heads of the faculties functionally responsible for not only academic outputs but also for financial outputs reflected by the revenues and expenses.

Universities thus have to act as harbingers of change. The competitiveness of nations could be measured on the basis of indices like technology, public institutions and macroeconomic environment. The best basis also of measuring competitiveness is to capture what is happening in the institutions of higher learning of a nation. ■■

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