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In search for sustainable business universities model in developing countries

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Abstract

The purpose of this article is to provide insight into education systems of developing countries and models of their functioning. The article looks at the balance of business universities in different aspects and angles. The article finds that the approach that combines different alternative functioning models will make business universities more strategically sustainable. While there has been a lot of societal and political attention paid to privatize public universities and/or put more control on private universities, attentions paid to the alternative models making them more competitive (effective at a reasonable cost) are nearly invisible.

Keywords: Business University, competition, performance, measure, finance, research, government, development

1. Introduction

At the core of education business, especially the tertiary education, dialectic of business schools takes place between the two distinct purposes: to produce knowledge (research-intensive) or to educate students (teaching-led) [3]. Some schools are on the extreme edges, while most of them are placed somewhere between with their dual and contradictory rather than cohesive purposes. Financial stability and sustainability of universities, and especially the business universities are only one side of a very complex problem to be thoroughly considered. If we talk about sustainability as a general, we should not have in mind the only financial aspect. As a consequence, both financial and non-financial drivers of business schools' model selection should be put under multilateral analysis and exploration. We then see that the dialectic of business schools is related with more dimensions than simply a question whether to carry out researches, to concentrate on students, or to find themselves a place in-between.

2. Sources of staff – on long term contract or on teaching hours' basis

The first dialectic, rather of microscopic character, but most important for all the universities in the world, regardless of the origination, the political and economic system of a given country, is how to hire and organized the staff effectively. Taking into consideration the fact that the staff pension is a considerable part of the overall cost of functioning universities in developed countries and also the constantly rising part of it in developing countries aspiring to catch up and keep pace in a very competitive and demanding global education market. There are at least three options for those institutions to follow, which are [6]:

- **Long term contract:** An anchored minimum of teaching hours each year is set up, aside from the obligation of carrying out research, participation in faculty's life. In this case, staff members have more responsibilities and more rights, so they will respect and are more closely connected with their workplace.
- **Teaching hours' basis:** In this case, academic teachers are treated as outsiders on the teach-and-go basis. They teach courses based on the program outlines according to that they have taught elsewhere for many years or in consultation with the program committee in order to conform and comply with specific requirements and standards set by a given university.
- **Something in-between:** Is the most common option since minimum staff members with adequate degrees and nominations is required and imposed as a prerequisite to establish schools and those requirements are controlled and watched carefully by ministerial education inspectors.

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Universities are not just the centers of education which function on the commercial basis connecting teachers and students. The competitiveness of the universities with a mission of going global is based on their highly qualified human resources who are competent at teaching and doing researches. So, a given university, in order to develop, strengthen its position and compete with others, must, based on long term contract and commitment, look for talents, invest in development and promoting staff. So had done many American and European universities for a long time before the crisis lately erupted. In the time when the economy is heading down, many cuts are in execution, not excluding the sector of education. The economic downturn combined with the negative demographical trends has compelled most of European universities including Germany, the economic powerhouse of Europe which is least vulnerable by the ongoing crisis, to sharply reduce long-term tenure contracts and shift to the teaching hours' basis in order to save money to survive. The situation also concerns Poland, not the economic powerhouse, but also the least negatively impacted country comparing to other European economies.

The case of rising Asia or ASEAN countries is totally a different history. Despite the impact of the global slump, together with the booming population and the pressing urbanization processes still taking place, the number of students and the need for education are increasing. The sector of education is the most crisis-proof and the least vulnerable among others, many analysts even consider. Many wealthy families even choose better option by sending their high school graduates to prestigious universities in the West to benefit from intercultural experiences, English qualification and the high quality and standard of education there. Confronting this situation that is still happening both to China and ASEAN countries, many universities there, in a bid to improve the domestic education quality, are striving to attract European and American teaching staff offering them very lucrative, long-term working contracts, or wooing Western universities to cooperate with them, based on mutual benefits, in a hope to boost their competitiveness and attractiveness in the eye of domestic students, customers. In the time of economic headwinds for many sectors that hardly survive, this is a light point in the global education scene, understood as a knowledge transfer from the West to the East.

3. Faculty leader – entrepreneur or highly qualified professor

The dean or in other words, the faculty leader is very important person for the universities development. Most often, questions are raised in concern with the character of this job position, whether it should be management-oriented with a high load of administrative duties or academic-oriented concentrated on the research development, scientific and teaching quality reputation of the faculty. The problem seems not to be as serious as in developing countries, especially in the region far from largest urbanization centers, where there is not enough qualified human resource in the labor market. In Europe, in America and in other developed part of world, it is not difficult to find a suitable candidate combining both academic competence and management skills; even the competition of

candidates vying for the prestigious post like this is very fierce ^[4]. Local candidates are familiar adequately with the faculty stuffs and the character and the working style existing here, but they are not enough academically (or professionally) competent to undertake the job. Candidates from afar, sometimes foreigners, reversely, have a great knowledge, experience and competence, are often not adequate for the job due to incapability to speak local language (English is not enough), unfamiliarity of, and inability to cope with the current specific and complicated stuffs of the faculty. In the Western countries, it is incredible for the candidates to fill in the operation position, not mention the management one, if he or she doesn't speak local language and is not familiar with the local life and business.

4. Sources of revenue – state funding or student tuition

The state

Schools in continental Europe are more or less funded by state budget to educate societal workforce and produce public goods (research products) to generate returns to the nation in terms of productivity and taxes. Education is treated as a public good, so it should be publicly funded to create a long-term benefit for the whole society.

In Asia and Latin America and almost in all the rest part of the world, the above-mentioned standpoint is being fiercely questioned on the economical (equal market competition between both private and public educational institutions) and political (societal competition for public sources) grounds. Education there is perceived largely as a private good so funding should be adjusted accordingly. Furthermore, the so far long-lasting stagnation of the economic situation in Europe finalized by the current global economic crisis leading to many tough cuts including education sphere increasingly has placed the responsibility to pay for the education on its beneficiaries (the users of services). This process is most visible and intensive in Great Britain closing the gap in this area to the United States. In Britain, education was free until 1997, and since then fees have been constantly and sharply raised from symbolic amount of £1000 in 1998 to a predicted amount of £9000 in 2012. So do the students' debts and understandably, these are the real burdens for them to repay over a lengthy period once they graduate and get the job.

If the students should be responsible to bear the cost of their tertiary education, a question has been raised about the proportion of high schools graduates to attend universities and the popularity of higher education in a global knowledge-based economy. Despite the British-American for-profit character of tertiary education model, still more high schools graduates there go to universities and colleges than in Europe. In middle-income and developing countries, university attendance rates are the same like in Europe and still rising ^[2].

4.1 Student tuition

Despite the different models of education extant in the world, the undergraduate tuition fees rise steadily in many countries, whereas postgraduate education programs, mostly in part-time mode, are designed for professionally active people and are treated commercially with tuition fees determined by market and seen as key source of institutions' funding. One of the reasons of this state of fact is that the

demand for this kind of education has been increasing drastically over the last 20 years, especially the demand and the price for postgraduate business education with different MBA programs on top of that. The cost of Executive MBA program has been increasing, on average, 10 times since the 1990s. In Europe especially, fees differentiation is based on domestic vs. non-domestic students that means the EU students pay less while non-EU students pay several times more. In the USA, tuition fees are extremely high, reaching presently 50 thousands USD a year for undergraduate level and even up to three or four times of that for the Executive MBA programs, plus living expenses combining with the cost of lost opportunities, it lets many students think that the return on investment of their study is unrealistic and they will not be able to repay the loans even for a long time given the current global economic crisis and situation in the labor market ^[1, 2, 7].

4.2 Other sources of funding

Executive education on fully commercial basis and fundraising are the main sources of funding, but in time of the economic slump they are not easy to get and are not guaranteed to be successful. Executive MBA education programs require the most sophisticated infrastructure and faculty composition and is very volatile and unstable in terms of income, which may reduce several tens percent during the current economic recession. Fundraising by alumni and partners endowment can be very generous but only accounts for up to a minor part of the funding. In substance, it is also very volatile and concerns only few cases, to mention only the top business universities in the world. In developing countries only the executive education contributes a major and increasing part of the institutions' funding, while fundraising is hardly seen there.

5. Value proposition – research or teaching

5.1 Academic research

In education business faculty staff is the main asset and it should be managed wisely. In most academic institutions, the overall staffing costs can easily approach 75% of their total expenditures. Due to this major staffing costs proportion, faculty members' activities, including teaching and research engagement, almost are conflicting each other in nature, while management duties concern only a few of them, should be calculated economically and should be profit-oriented.

In research-intensive university, the faculty members' career paths are dependent on their research productivity. In terms of research activity, the output is measured by the number and the quality of publications, the input effort is hardly to assess due to the fact that research and development activities, not only at universities, are the highly risky ones in the aspect of the cost and time engaged of their carrying out, cost of creating and developing collaborative infrastructures needed to generate high quality valuable commercially or scientifically research products each year. Management education has been developing since XIX century industrialization, and still fast expanding since the 2th World War. A considerable gap has been seen between key issues on managers' mind and researches published. Many research products are so far irrelevant in terms of informing and shaping management practice as they should

do. In other disciplines research and practice are much more closely aligned ^[5]. Research, regardless of its practical or theoretical orientation, in most cases, is cross-subsidized from teaching income, especially from Executive MBA programs as they often used research papers results as useful case study materials serving teaching purposes.

5.2 Academic teaching

A core question of each business school is what does an hour or year of teaching time cost and generate as revenue? Based on that, it is easy to compare different business schools and for a given university to adjust tuition fee policy as well as the remuneration policy. In developed countries such as UK, USA, a teaching-intensive model there is an anchor at about 300 teaching hours per member per year, so the teaching cost is about 270 EUR per hour counted on the presumption that basic faculty salary is of 50 thousands EUR and full loaded is of 80 thousands EUR. Instead, in a research-intensive model, with the reduced teaching load down to 120 hours per member per year the hourly teaching cost is about 1350 EUR counted on the same presumption that basic faculty salary is around 50 thousands EUR and full loaded faculty salary is around 80 thousands EUR. So what is a solution to bring down the cost in case of decreasing number of students (aging society and diminishing birth rate) and current economic headwinds? There are several ways of cost management in terms of drive down it considerably, one is to increase faculty member's teaching load transforming at the same time from research-intensive (teaching-less) model to teaching-intensive (research-less) model, the another is to increase the number of students in the classroom leading inevitably to lowering the teaching quality. The third way is to use intensively e-learning technology in educational processes serving cost optimization due to the fact that a large part of management education, such as principle courses is suitable to provide online in avoidance to repeat them again and again, while advanced knowledge areas and cases study should be delivered with students face-to-face. On top of the cost management area, the proportion of academic and non-academic staff should be taken seriously under consideration. Non-academic staff is necessary to take a lot of management duties off the hand of academic teachers, expensive and highly qualified resources, for them to concentrate on the core issues. Finally, while the competition for students of management education providers is fierce, the cost of marketing is rising increasingly starting from level of 8-12% of traditional MBA income stream up to 30% in case of marketing-intensive private institutions determined to attract large volume of students to fill up the classrooms ^[8].

5.3 Staff career paths – teaching or research oriented

This dialectic is strictly related with the question concerning staff sourcing. If only short-term contracts are the basis of cooperation, the staff career paths are not important and are not subjects of planning. On the contrary, a question is raised concerning what should be a strategy to promote staff members both financially and in terms of career advancement and on what basis to assess them. Whether one should judge them basing on the teaching experience determined by the amount of teaching hours or years, the

range of academic courses they offered to students or based on high-quality scientific papers published in top tier journals and academic degrees. It is depending on the education model adopted which are discussed below in the “value proposition” paragraph, that a given university had taken, teaching-less or teaching-led. In developing countries, public universities are not prone to teaching-led model, but somewhere in the middle of this continuum due to still lacking research skills and scientific potential. On the contrary, private universities, with a very short history of development, are profit-oriented, so the teaching-led model is to prevail ever since and nothing is going to change for the moment. So, the career paths of the staff members are depending on teaching as the research activities are treated only as supplemental.

6. Conclusions

Given the current situation of the business education sector and the results of the above-carried out analysis, a series of conclusions should be drawn and many recommendations in terms of policy changes for developing countries have emerged in order to keep the most important sector of the knowledge-based economy developing more sustainably. Conclusions and recommendations hereafter are made and put forward based on several dimensional cross-cuts to streamline the business. Traditional sources of income, such as state budget, tuition fees paid by students, executive education and donation are less stable and rather declining in current global context. Schools should adjust their activities accordingly to remain financially balanced. Firstly, in terms of location and infrastructure, option “to hire” is definitely a better one. Schools also should be expanding further in term of relocation to a far-off place to reduce operational costs and to be closer to students. Many Polish universities do this way, opening their branches in smaller towns surrounding biggest cities. Secondly, to be more financially productive, instead of cutting salary and other benefits which only demotivates faculty staff members, schools should be more teaching-oriented by introducing teaching performance related remuneration system (Lorange, 2008; Fragueiro and Thomas, 2011). Nearly all university professors are working somewhere else in the character of independent consultants or seating at boards of directors of different companies. A proposition of tripling their current teaching loads, with other duties and obligations unchanged, is not unreasonable. Moreover, by inviting non-academic but more practical-oriented lectures from the business world, schools become more vital and more clinical and simply down-to-business. In case of Vietnam, the academic staff should increase their research intensity; focus on more practical, for-profit researches in responding to the need of business to bring about more income streams to their universities. Finally, as a trend of the XXI century and the global knowledge-based economy, more e-learning technologies should be commonly used to provide students with more valuable and more cost-effective teaching programs saving time of the faculty staff members, streamlining universities’ operational activities.

7. Acknowledgment

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