



## Why Universities Are Adopting Market Oriented Management Practices?

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### Abstract

Universities all over the world have come under increasing pressures to respond to the rapidly changing market environment. The unprecedented growth, complicity and competitiveness of the global economy along with its consequential socio-political changes have been creating pressures on higher education institutions for adopting market-oriented initiatives. Further the expansion of university education without proportionate government budgetary support is creating acute financial pressure and universities are looking toward market for revenue generation.

This transformation of the university from a government funding to market-orientation is affecting various aspects of production and transmission of knowledge, which are bound to create a series of conflicts. The advantages, disadvantages and scope of conflicts arise due to market oriented management practices are discussed in the paper.

**Keywords:** Higher Education, Privatization, Market Orientation

### 1. Introduction

Traditionally, institutes of higher education were understood as experiences of a elite few but increasingly they have become a normal part of the educational experiences of larger and more diverse student population (NEA Update, 2004). The evolution of higher education from elite service to mass accessible product has made higher education comparable to public utility than experience reserved for select few elites. Demand for higher education is growing all over the world and growth rate is phenomenal in many countries including in India. In 1950-51, there were only 370 collages and 27 universities spread all over India, but by 2004 the number of colleges has increased to over 10,000 and number of universities has grown to 364. (MHRD 2007). This exponential growth of higher education has primarily come from central and state governments. The total allocation for higher education has grown from Rs. 170 million in 1950 to over Rs. 90,000 million. However plan allocation for higher education, which was 28% in the Fifth-plan period is gradually reduced to only 6% in the Tenth-plan period.

The gradual reduction of state funding is now forcing higher education institutes to search for additional sources of income from the market, and concept of market orientation is being strengthened.

According to Dalgic (1998) market orientation express a marketing perception which put the customer's needs in the center of all firm's activities. Market orientation is therefore, implementation of the marketing concept in an organization. It requires the full support of the organization to be fully implemented in the long term and, indeed, may need a complete change in an organization's culture.

In India, as well as in other countries, universities are changing from a centralized to decentralized system and increasing their focus on market orientation to augment revenue.

Business and Industries are looking to university research to offer them a new source on scientific research and development. For the development and production of products required by the industry, university research laboratories can be used as additional resource centers. This is helping universities to deploy their facilities for generation of additional revenue and thereby reducing dependence on government support.

The process of having corporate collaborations is also encouraged by the government and other agencies. The merging of interests between private industry and university research is only way-out to survive against acute funding pressure.

## 2. Market Oriented Management

In today's higher educational scenario, the private universities are facing the escalating costs of higher education. Institutions with limited resources are particularly concerned with the rising costs and have started adopting various cost cutting measures. But cutting cost has a limit and often reduces the quality of services provided by the university. Therefore best option to get rid of funding pressure is to generate revenue from market sources by providing additional services to the interested clients.

By designing and delivering industry related training programs on selected topics for Company Executives, the University can serve the corporate clients to enhance their knowledge base. It can also offer the short and long term management development programs and also provide consultancy support to the clients. The university departments can also conduct the research activities as per the clients' requirements.

### 2.1 The Characteristics of Market Oriented Management

In market orientation mode, universities are required to generate additional revenues from market, and therefore, they must serve market needs. These services are mainly provided by academic staff and expose academicians to the real world challenges. To enable smoother transaction between academicians and market users, the academic staff require more independence without unnecessary administrative interference.

Both students and corporate clients require quality teaching and research output, which are produced by academic staff. Teachers generate revenue for the university and as such, their academic power attains respect and gives them a major role in decision-making. The role of administration should be to support teachers and not to control them.

Students are the major beneficiary of academic programs of the university. As they choose a university for achieving their career prospects, the teaching programs of the university must cater to the requirements of the students. Design of curriculum and other activities must be redrafted keeping in forefront the interest of the students. The students should also be given more opportunity to participate in the affairs of the university and support the faculty in knowledge creation. The students' requirements must be respected and satisfied.

Competition is an essential prerequisite in the free market economy. Universities that offer best higher education at lower cost will be more competitive and gain more reputation and acceptability to students and research clients. Universities must pay more attention to improve their efficiencies and reduce wasteful expenses. The Internal procedures must be simplified and greater emphasis be given to resource utilization. It has been again and again documented throughout the world, that, universities wholly funded by the government are usually the most ineffective and the entire market oriented ones are the most efficient. In India, most of the state-run universities with traditional arts and science courses are unable to attract good quality students whereas, the private universities and autonomous institutions are rapidly increasing their market share by offering courses in tune with changing market requirements.

Increasing public funding unnecessarily strengthens bureaucratic control, because the authorities that provide money must have some political agenda to be fulfilled. Higher educational institute that solely depend on government grant have to give up their independence to gain government support. In India, previous Union Minister (Mr. Murali Monohar Joshi) wanted to control the activities of Indian Institutes of Management. But staff members got united and refused to bow down. As these institutions are financially self sufficient (major part of their revenue comes from consultancy income and alumni donations), they could resist interference of the Union HRD Minister.

### 2.2 The Drawbacks of Market Oriented Management

There are also disadvantages associated with Market Oriented Management. Bureaucratic control is sometimes helpful in ensuring basic quality of education. The market-oriented mode may result in shortsighted decisions. Since the effectiveness of a teaching program cannot be tested immediately, some universities may "sell their education programs" by lowering the quality of education in order to generate more revenue.

Nowadays, all over the globe, private institutions are proliferating and have started courses with less academic rigor with the sole objective to exploit high market demand of higher education. These institutes are usually found to charge very high fee disproportionate to facilities offered to the students. There should be independently run agencies to appraise the quality of higher education in colleges and universities. In India, All India Council for Technical Education (AICTE) is created by Ministry of HRD as an autonomous body to monitor quality of all higher-level technical and management programs.

Complete market orientation may result decisions being taken without contemplation of long-term issues. Short term profitable motives usually predominates decision making process. This can weaken basic and fundamental research conventionally existing in universities. As profit motive is a breeding ground for adding new capacity, institutes start building additional capacities and compete with one another. Vicious competition among institutes lures students by giving colorful advertisements, hiding their shortcomings and the courses offered by them.

The admissions office, business office, and students' aid office have grown in importance on every campus, and business concepts and their expression-such as market share, efficient pricing, and the student as customer- have crept into the enrolment conversations. Loans have increased as an overall share of the student aid package, which can serve to make students acutely aware of the need for immediate employment upon graduation to pay them back (NEA Update, 2004).

### 3. Faculty Development and Student Fees

Educational activities consist of teaching and learning of knowledge delivered in proper and competent fashion. Formal education consists of teaching and training imparted by professional teachers. This requires appropriate development of curriculum and pedagogy and calls for competence building in academic staff.

To make the university education system more effective, the issues related to faculty development becomes more important. Highly qualified teachers are in short supply and to make teaching jobs attractive, the remunerations and benefits paid to university teachers should match with that paid in other industrial jobs. Moreover, teachers need to be highly qualified and must have put more time in university education forgoing opportunity cost of salary income in their early career. Unless remuneration to teachers is made competitive, fresh talents will not be attracted to academics.

Tuitions and fees charged to students of higher education contribute only a small percent to total recurring university expenditures. Considering the future benefits of higher education, the large financial subsidy given to students may be reviewed. There is a growing realization that basic education till secondary level need to be subsidized by government as requirement of providing basic education is a prime necessity for any nation. Higher education may not be subsidized as students after completion of higher education often get superior job opportunity and earn higher income. Instead of subsidizing higher education, suitable financial support may be given to deserving student in form of student loan or grant. There is always excess demand for higher education at least in some areas as number of applicants outnumbers the availability of seats. Rising fees in such cases will help institutions to generate more revenue which can be used for more facility creation.

Realizing high demand of higher education in certain subjects, institutions have already hiked fees (refer exhibit 1)

#### Exhibit-1

Tuition fees, even within the same institution vary depending on the program offered. Students enrolled in language and arts programs are charged the lowest. But at some universities, programs like commerce, education or computer science attract higher fees than arts programs, even though they may be offered by the faculty of arts. Engineering students usually pay more than the average student in a general science program.

Getting that MBA can also be an exceedingly costly exercise. MBA from UBC's Sauder School of Business costs \$36,000 and the 15-month executive MBA program at Queen's University costs \$75,000.

And finally, let's not forget what are called "ancillary fees." These are compulsory extra charges over and above tuition to cover things such as athletic programs, health services and student associations. The bundle of these extra fees will add \$619 to the average university bill for a full-time undergrad in 2006-07. Add in room and board, and you can see why it's not uncommon for students to graduate with \$40,000 of debt. The good news? The Association of Colleges and Universities of Canada says grads earn \$1 million more over their lifetime than those with no post-secondary education.

Source : Tuition fees: The higher cost of higher education, CBC News,

<http://www.cbc.ca/news/background/higher-education/>, accessed on 9/30/2008

In principle, tuition fees must be reasonable and commensurate to cost incurred per student. High demands of higher education should not be exploited as profit earning opportunity. In any case, suitable scholarship scheme must be implemented for the poor and qualified students, so that, no deserving talented student is denied admission for want of money.

### 4. Scope of Conflicts

The move towards market orientation of universities has raised several debatable issues. The conversion of the university from a government funding to market-orientation will affect various aspects of knowledge management within the university and across the society. These changes in turn are likely to affect academic autonomy and collegiality in the academic bodies. In addition, several other changes related to content and modes of transfer of knowledge will also generate a number of conflicts among academic staff and university management.

#### 4.1 Autonomy and Collegiality

The work environment inside the university is quite different from that of other business entities. The academic staff responsible for the generation and distribution of knowledge remains at the centre place in the university education system and the students who are the recipient of the said knowledge also at times help academic staff in knowledge

creation. Academic environment is not sustainable without active involvement of the academic staff. Hence the freedom and autonomy of academic staff is essential to maintain academic atmosphere of the universities.

The need of autonomy in the University is unquestionable on following grounds. First, the autonomy of agencies involved in research and teaching is very desirable and should be defended. Secondly, autonomous universities are an essential element democracy, as a way of institutionalizing freedom of research and teaching. Both these assumptions must be scrutinized in the light of recent experience and present trends in society (Kielmansegg 1983).

Collegiate decision-making has always been an integral process in operating structure of the University. The organization and ability of the collegiums to make decisions has varied over time and largely depended on the governance system of the university. Peer review and organizational expressions such as the academic council and the faculty associations within an academic institution are examples of collegial process and organization (Buchbinder, 1993).

#### 4.2 *The Positioning of the University in the Marketplace*

The university operating policy is generally budget driven. The activities that can be carried out are always limited to availability of funds. Universities during the past few decades have suffered through a long period of under-funding accompanied by significant increases in student enrolment. According to (Buchbinder and Newson, 1988) from the early 1980s, there has been an intensive effort to link universities with private sector enterprises. As a result of market linkages the focus of research and the development of knowledge are being directed to the production of marketable products rather than development social knowledge. The development of a higher education sector is increasingly getting oriented towards to fulfill the needs of the private sector, converting knowledge to a marketable product.

The survival in the marketplace depends on competition and efficiency rather than meeting social needs. The university is generally being converted as service provider in market-place from its original role of creating social knowledge.

#### 4.3 *Privatization*

Privatization of academic institutions essentially leads to adopting management practices associated with private business, which are basically profit driven. All actions aimed to generate higher revenue and cut costs. Supporters of privatization claim that it makes universities more amenable to the needs of students and make them more efficient. While such efforts can help an institution financially, they can also weaken collegial, knowledge-driven academic culture through the adoption of management practices more typical of business culture. Practices such as contracting out services and restructuring workforces represent market-driven attempts to control payroll, diversify and stabilize revenue, and shift costs to consumers (NEA Update, 2004).

Privatization invariably paves way to the following changes:

- More autonomy from the government
- Getting relief from the state budget
- Raising tuition fees that market can absorb
- Increased Marketing effort
- Selective admission in choosing students to a course
- Reduced concession in form of scholarships/grants/stipends
- Students are considered as clients
- Fund raising from private parties
- Outsourcing of some activities, etc.

Privatization is bound to affect social, economic and political environment of education system because of the above reasons. From an economic point of view, a major question of interest is whether the privatization of the education system is able to increase efficiency.

The focus on market orientation is gradually changing universities from “public sector” model to “private sector” model. The private sector can be described as operating on the basis of the profit maximizing principle with the simultaneous goal of increasing market share. This goal is basically achieved by competition and price mechanisms. The non-economic factors like, social responsibility, environment, government, etc. are not appropriately valued. The public sector model largely operates on a principle of service to its citizens. The university is an institution that emerges from the public sector but is now forced to operate according to the operating principles of the private sector.

#### 4.4 The Social Context of Knowledge

The expansion of market relationships between universities and private houses is bringing confidentiality of university research and proprietary rights. The research done for private business is to help private business to increase their profits. In this process, generation of social knowledge is abandoned for benefit of funding company.

The market orientation is changing the objectives of university towards cost reduction and revenue generation. Thus knowledge and information becomes a form of property and the ownership of these economically usable information slips from the hands of individual faculty members and researchers to its private sector funding agencies. It can be traded in the market like any other form of property.

When the production of knowledge is social, it is available for benefit to all. The social knowledge is transmitted via academic journals or through the teaching mechanisms. The creator and disseminator of the knowledge undoubtedly receive credit for the findings and publication but it does not become a tradable product. This means there is a qualitative difference between the two forms of knowledge. Social knowledge is an ongoing social process and is socially "owned" whereas commodified knowledge is reified as a "thing," privately owned, often secret and evaluated in terms of sale ability (Buchbinder, 1993).

#### 4.5 Should Government Abdicate its Social Responsibility?

Asking universities to generate revenue from market can also be viewed as a complete renunciation of duty of the government from its historical social responsibility. It is avoiding the areas in which it is facing difficulty in succeeding. The government can certainly be blamed for shifting the responsibility of providing quality education too its citizen. Further government has to sort out a large number of issues when it partially loses its control from the education arena (Levine, 2001)

- How should states control the quality of education provided by multiple providers?
- How can this multiple providers across geographical boundaries be coordinated?
- Will all higher education provides remain profitable or only selected few will make profit?
- How state can enforce accountability to the private institutes? How their activities can be coordinated?
- What will be investment policy on education? Who should get state support?
- How partnership between private and government institutions can be created and maintained?

### 5. Conclusion

Expansion of university education without proportionate government budgetary support is creating acute financial pressure and universities are looking toward market for revenue generation by providing various products and services to private clients.

However, the transformation of the university from a government funding to market-orientation is affecting the social structure of knowledge distribution as center of attention is shifted from social knowledge to market knowledge. Knowledge created within such an environment becomes a marketable commodity. It can be bought and sold like any commodity.

Considering all the factors discussed above, a public policy on functioning of universities must be made, which must take into account both the impact of competitive global economy and the social responsibility of the universities.

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