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## Entrepreneurialism and private higher education in Europe

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### Introduction

It is difficult to analyse private universities in Europe (including those that are part of the EUERЕК case studies) in the context of entrepreneurialism in the form the concept has emerged in the basic literature on the subject and available case studies. The private sector in higher education in Europe, with several exceptions (e.g. Portugal and Spain) – from the point of view of both numbers of institutions, share of enrolments in the sector, and study areas offered – has been an educational phenomenon of the transition countries. In some countries (e.g. Sweden, Belgium, and the Netherlands), nominally private institutions are funded in practice with public money, in various forms and under different umbrellas.

At the same time, the conceptual framework currently used to analyse entrepreneurialism in higher education seems somehow restricted in use to public sector institutions, and rightly so. Very few scholars ever refer to private institutions in their discussions of academic entrepreneurship. And if they do, they often mean selected top US universities (as Clark refers to Stanford and MIT in *Sustaining Change in Universities* – but in the context of public institutions briefly studied, such as the University of Michigan at Ann Arbor, UCLA, North Carolina State University, and Georgia Institute of Technology: Clark, 2004a: 133–66; Clark discusses also the Catholic University of Chile, *ibid.*: 110–21). Clark's (1998) classic five case studies in *Creating Entrepreneurial Universities* were all about European *public* universities and the only one that stood out – Chalmers University of Technology in Sweden – had indeed 'opted-out' of the Swedish public education system but has remained funded by the state. In Europe, not only is the experience of private higher education very limited, but the emergent concepts related to entrepreneurialism have derived from analytical work on the public sector and have rarely touched on the private sector. Shattock (2004b) and Williams (2004b) applied a concept of 'entrepreneurialism' to (somehow alien) universities in transition countries – in Russia. But again they were public

universities. Sporn (2001), while analysing 'adaptive universities', focused on four public (the University of Michigan at Ann Arbor, UC Berkeley, St. Gallen Universität in Switzerland, and Wirtschaftsuniversität Wien in Austria) but also on two private institutions, including New York University and a vocationally orientated university in Europe, Università Bocconi in Milan.

This chapter is based, in more theoretical terms, on the conceptual work on 'entrepreneurial', 'enterprising', and 'proactive' universities by Clark (1998, 2001, 2004a, 2004b, 2005), 'self-reliant' and 'enterprising' – as well as, more generally, 'successful' – universities by Shattock (2000, 2003, 2004a, 2004b, 2005) and Williams (2004b), and Sporn's (1999a, 1999b, 2001) notion of 'adaptive' universities. In empirical terms, it is based on case studies of entrepreneurialism in universities drawn from the EUERЕК study on entrepreneurialism in private institutions within the context of what Clark, Shattock, Williams, and Sporn suggest for the study of public institutions<sup>1</sup>.

The EUERЕК case studies of private institutions included the University of Buckingham (UK), Jönköping University (Sweden), TCUM – Trade Cooperative University of Moldova (Moldova), UCH – the Cardenal Herrera University (Spain), WSHIG – the Academy of Hotel Management and Catering Industry (Poland), and the University of Pereslavl (Russia). They are all relatively new institutions, with almost all of them being founded in the 1990s – in the UK (1976), Poland (1993), Russia (1993, transformed from a state-funded think tank founded in 1984), Sweden (1994, one of three 'foundation' universities), Moldova (1993), and Spain (2000). Almost all are located outside of capital cities. The reasons for founding them varied, from being political/ideological (UK), an individual's passion (Poland), political/regional considerations (Sweden, Russia), and religious interests (Spain). What is crucial from the perspective of entrepreneurialism is that they represent, in general, a fundamental reliance on tuition fees as a source of income and a limited reliance on, and access to, external research funding (the exception is Sweden)<sup>2</sup>. Small research groups are formed in the UK and Spanish examples but no major financial impact attributable to them is actually reported. Also no endowment income is reported, and sometimes there is a strong reliance on bank loans (Poland, UK). In almost all cases (especially in interviews), such characteristic expressions as 'to survive', 'survival', 'uncertainty about the future', occur. The Spanish EUERЕК case study confirms that private institutions can regard themselves as entrepreneurial but there are discrepancies between descriptions (and feelings) expressed by academic staff on the one hand and managers, rectors, or deans on the other. With such small exceptions, private institutions view themselves as less entrepreneurial than public ones. In Poland, Russia, and Moldova, no feelings about being specifically entrepreneurial were reported – instead, there are references to being 'innovative', 'unique', and so on (especially in comparison with some old-style public institutions). Another common feature is that they are very small or relatively small institutions within their respective national higher education systems (of a size from a few hundred

students in the UK and Russia to a few thousand students in Moldova, Poland, Sweden, and Spain). In most of the case studies, they are vocationally orientated and have small research ambitions (and, at the same time, small research funding opportunities). Often, they are born out of visions and ambitions of entrepreneurial individuals (academics and non-academics alike in Poland and Russia).

Regarding the growth of the private sector generally, as Levy notes, the twentieth century norm and persisting public norm is state funding of public universities (and overwhelmingly private sources of funding for private institutions). State subsidies for private institutions are rare and the examples of India, Belgium, and the Netherlands (as well as Swedish 'foundation universities') may call into question the designation of private (Levy, 2006: 10). The global demographics of private higher education is such that the major centre of the sector is East Asia, with about 80% of all students enrolled in private universities in Japan, South Korea, Taiwan, and the Philippines; in the United States, surprisingly, only 20%; in Western Europe, on average 10% or much less; in Latin America, over 50% in Brazil, Mexico, Colombia, Peru, and Venezuela; and finally in the transition countries, and some post-Soviet republics – where the most rapid growth took place after 1989 – up to 30% (on the private sector in Europe, see in particular two recent fundamental edited volumes: *The Rising Role and Relevance of Private Higher Education in Europe*, edited by Wells et al., 2007; and *Private Higher Education in Post-Communist Europe: In Search of Legitimacy*, edited by Slantcheva and Levy, 2007). As Levy puts it, 'where public budgets do not meet the still rapidly growing demand for higher education, students pay for alternatives' (Levy, 2002: 4) – and this is what happened in several transition countries. In most of them, both public and private higher education enrolments in general, and the share of the private sector in overall enrolments in particular, have changed dramatically over the last 15 years. While Western Europe has not in general witnessed the emergence (or substantial strengthening, depending on the country) of the private sector in higher education, in several post-communist transition countries in Europe, for a variety of reasons, the private sector emerged as a tough competitor to the most often traditional, elitist, faculty-centred, and quite often inaccessible public sector. The differences between the transition countries are significant, however; while in Croatia and the Slovak Republic private institutions enrol as few as 3.0–4.6% of the countries' student bodies, the private sectors in Estonia, Poland, and Romania enrol almost one-third of all students. Other countries such as Bulgaria, Hungary, and Russia have enrolments of about 15% (Slantcheva and Levy, 2007: 3)<sup>3</sup>.

## The diversified funding base: possible sources of income

There are several ways in which the case studies can be considered. Sporn discusses five factors enhancing adaptation at specialized European universities that lead in five directions: externally focused mission, differentiated structure, collegial management, institutional autonomy, and diversified funding (Sporn, 2001: 27); Shattock discusses six key words highlighting the characteristics that successful universities have to demonstrate: they are competitiveness, opportunism, income generation and cost reduction, relevance, excellence, and reputation (Shattock, 2000: 96–103). We could discuss the private sector represented in the case studies in the context of the two above sets of features, but we will base our further analysis on Clark's 'pathways to transformation', revisiting his classic formulations. Clark analysed five (entrepreneurial, innovative, enterprising) European universities in action, transforming themselves over a period of 10–15 years, within a common conceptual structure. In brief, according to Clark (1998, 2004a), the entrepreneurial universities studied – universities systematically seeking to transform themselves – show five elements that differentiate them from others and which form an 'irreducible minimum': a strengthened steering core, an expanded developmental periphery, a diversified funding base, a stimulated academic heartland, and an integrated entrepreneurial culture (Clark, 1998: 5). Clark's criteria are organizational characteristics rather than definitions. The five elements, or generalized pathways of university transformations, according to Clark:

rise up from the realities of particular institutions to highlight features shared across a set of universities, but at the same time they still allow for local variation . . . Four elements are highly structural: we observe them in tangible offices, budgets, outreach centres, and departments. Only the more ephemeral element of institutional idea, floating in the intangible realm of intention, belief, and culture, is hard to pin down. Emphasizing manifest structures helps greatly in explaining the development of organized social systems . . . Significant change in universities has definite organizational footing. (Clark, 1998: 128)

Let us begin with the diversified funding base of entrepreneurial universities. There are three streams of income: mainline support from government, funds from governmental research councils, and all other sources lumped together by Clark as 'third-stream income' (Clark, 2004a: 77). A widening of the financial base becomes essential for public universities, and discretionary funds are particularly important for university transformations (Clark, 1998: 6).

Transformations in funding at public universities in the last twenty years have been towards the second and the third streams of income. In the specific case of European private institutions, it is crucial to underscore the

role of the third stream (all other, largely non-governmental, sources of income), as most of them in Europe are cut off from major forms of governmental funds. Private institutions in Europe find it hard to be entrepreneurial, and to have entrepreneurially minded academics – because their faculty and academic units do not compete globally or nationally for outside research funding. And the role of competition with others – institutions and individual academics alike – is fundamental to the entrepreneurial character of an academic institution. We mean here both internal competition (for research and other development funds) and external competition for other outside funds. At entrepreneurial universities, a considerable element of managerial practice is devoted to managing competing units (and academics) in terms of human resources, non-core external finance, and the resulting tensions between academic units, between the centre and departments, through resource allocation utilizing, for example, various top-slicing and cross-subsidizing techniques. With competitive research funding available in entrepreneurial universities, as most case studies confirm, there are no limits to the academic financial expectations, and inventing and re-inventing fair and transparent funding formulae for departments and the centre are critical: if procedures are non-transparent, or unfair to some academic units, management loses a lot of time and energy in managing tensions which in other circumstances would not appear.

From the perspective of entrepreneurialism, a negative aspect to the development of the private institutions studied is their status as teaching institutions only. Case studies of Polish and Russian (as well as Macedonian and Ukrainian, outside of the EUERREK project) – private – entrepreneurially minded universities show that the road to excellence in research is difficult to follow, especially with external funding being scarce at the beginning, but the prestige and reputation of an institution accumulates when significant research is being done, including especially internationally relevant research. Only a few private institutions in Poland have reached that level – but today they have the best graduates and the top PhD students (in the Polish context, these institutions are allowed to offer PhD studies in selected areas, in acknowledgement of the quality of the core staff they employ and the high national rating of their research output; WSHIG, being a vocational institution, does not have research ambitions). Not surprisingly, investing in research brings more, and especially better, students to these institutions. The access of these private institutions to public subsidies is very limited and private R&D investments in private higher education institutions are marginal (again the Swedish case is exceptional and testifies to different senses of ‘privateness’ of higher education – at Jönköping University, the level of public subsidies is equal to that of public universities; in the Russian case of Pereslavl, public research funding is provided for its research part, the Institute of Programming Systems of the Russian Academy of Sciences).

In more general terms, the financial diversification of an institution is also healthy academically: the general rule is simple – as Clark put it, ‘it is better to have more money than less’, or elsewhere: ‘more income is always needed:

universities are expensive and good universities are very expensive' (Clark, 1998: 26). The diversified funding base of an entrepreneurial university means a portfolio of patrons (national and international, private and public, long- and short-term) to share inevitable rising costs. Entrepreneurial universities aggressively seek third-stream sources, and it has become a very powerful trend in the Netherlands, the UK, Sweden, and Finland, as well as in several transition countries including Poland. Internal university reforms and restructuring, including closures and mergers of academic units, are increasingly 'finance-driven' (rather than, for example, 'equity driven'). Third-stream income is becoming crucial for public institutions; some components are also fundamental for the vitality (development or survival) of private institutions.

The case studies in Clark (1998) from the University of Warwick in the UK, including Shattock's 'earned income policy', and from Twente University in the Netherlands, are crucial to understanding the phenomenon of entrepreneurialism because they demonstrate the importance of all academic units being involved in seeking external funding for research (consulting, patents and licences, short courses, and from fees paid by international students). Separate units increasingly become separate small academic and business units, 'rewarded' and 'punished' for their entrepreneurialism (as Williams noted, 'managers who take risks and are successful are rewarded. Failure and passivity are penalized' (Williams, 2004a: 87)). The culture of entrepreneurialism, an irreducible element of entrepreneurial organizations according to Clark, means that virtually all units are involved, including the social sciences and the humanities. In Poland and other transition countries, by contrast, most entrepreneurial units were social science departments only – especially political sciences, sociology, psychology, and business-related (but not strictly economic) areas. The number of private institutions rose from 3 in 1991 to 250 in 2002, 301 in 2005, and 315 in 2006 (GUS, 2006: 20), of which the vast majority were economics related. Since the beginning of the 1990s, the private sector has changed the educational landscape in Poland beyond recognition: in the academic year 2006/07, almost one-third of the 2 million student body (32%) chose private higher education institutions<sup>4</sup>. The Warwick example of financial management shows that what is crucial is to look outside the university for opportunities and to regard academic units from a financial as well as an academic perspective as if they were small business units.

The possible new sources of income for entrepreneurial universities in Europe include support from other public agencies, support from large business firms, engagement with small- and medium-sized firms, philanthropic foundations, professional associations, university endowment income, university fundraising from alumni and willing supporters, student tuition and fees for foreign students, graduate students, and continuing education students. In the entrepreneurial framework of academic thinking, customer-students of the emergent private sector are happier to pay what is required and get what they want than to pay less and get less. Private institutions as

providers of services appear to have a better reputation if they do not underprice and undercharge for their services, such as renting conference centres, sports facilities, and so on (in the UK, the phenomenon is called the academic 'low price culture'). This is prevalent at most public, even entrepreneurially minded, universities in Europe; on the other hand, many private universities charge full recovery costs plus a substantial surplus, both for teaching students and for renting their facilities to outsiders. The Polish case where there were 315 private universities in 2006 but where only a few have gone bankrupt in the past few years and where private universities are aggressively developing their infrastructure and their study offers, confirms that the phenomenon of underpricing is absent in the private sector. In Russia, as Shattock stresses, 'an extremely important contribution to Russian university entrepreneurialism was the central government's decision to allow universities to admit fee-paying students' (Shattock, 2004a: 31); it is like the Polish case, with some differences (such as legal limitations in the number of part-time fee-paying students: up to 50% of all non-fee-paying regular students at an institution as a whole).

Other sources of new income for Clark's entrepreneurial universities included earned income from campus operations, academically driven activities plus spin-off companies and self-financing activities, and royalty income from patented and licensed inventions and intellectual property. Incentives for staff and academic units to be entrepreneurial rather than to be traditionalist are crucial – this is confirmed by numerous examples in Europe. Incentives do not have to be financial only; they can be reputational (individual distinction), academic career-related, and time-related (e.g. smaller teaching loads for those successful in research). Certainly, too heavy top-slicing of additional outside income is an inhibitor to entrepreneurialism of both units and academics. As stressed by Williams and Kitaev (2005: 139), there is a balance between an individual's gains and an institution's gains, both in financial and in reputational terms.

Thus, in general, the fundamental dimension of an entrepreneurial university – having a diversified funding base – does not seem to work for the private institutions studied. Their ability (and opportunities) to use the 'third source' of income, especially (perhaps most welcome) 'university-generated' income, is very limited, as confirmed by detailed statistical data in the relevant case studies. Their high degree of financial dependence on a single source of income (namely, student fees) makes them easily prone to financial problems (Buckingham University differs in this respect from the other private institutions studied and is closer to public universities: while its income from fees in 2004 was 70%, its income from research reached 11%). At the same time, it is critical to note the dependence of public institutions on fees in the transition countries as well: from among the case study institutions, in Poland fees were between 18% of income for Poznan University and 41% for Poznan University of Economics, while in Moldova, the structure of funding of public universities make them quite similar to private institutions (and makes the very public/private distinction blurred): the percentage of

income from fees in the three public institutions in Moldova is between 71% and 83%. Not surprisingly, a high or very high reliance of private institutions on fees is inversely proportional to their reliance on research funds. While they lead the list for the highest percentage of income from fees (in 2004, UCH in Spain 99%, WSHIG in Poland 94%, Moldova State University 83%, AESM in Moldova 77%, Balti in Moldova 71%, Buckingham in the UK 70%, PUE in Poland 42%), they are also lowest on the list for external research income (between 0% and 1% for Polish public and private, Moldavian public and private, and all other private case studies except for Buckingham at 11%). This income structure determines the mission of institutions studied: teaching, in real rather than declarative terms, is becoming more important than research (except for promotion and career ladder reasons in the public sector)<sup>5</sup>.

In general, private institutions are able to compete for public or private research funds to a very limited degree; being largely teaching institutions (except for the two unique cases of Jönköping and Pereslavl), even if they are permitted by national laws to be state-subsidized in research, they are not able in practice to compete for funds with public universities. Separate units are rarely rewarded (or punished) for their entrepreneurialism and rarely act as separate business units, as is often the case with most successful public entrepreneurial universities.

## The strengthened steering core

The role of the 'strengthened steering core' in entrepreneurialism of the private institutions studied is important. Clark's 'notoriously weak capacity to steer themselves', exhibited by traditional European universities (Clark, 1998: 5), is not observable in the private sector studied. There does not appear to be any need for balancing influences across multiple levels of these institutions, or a need to keep a constant balance between particular departments through the intervention of the centre. In contrast to public entrepreneurial institutions (and even more, in contrast to the whole public sector in higher education), the role of faculty participation in central councils is severely reduced (here Buckingham is an exception). But, in general, collegial management is non-existent, and connections between academics and administrators/management/founders/owners are limited. As Clark observed about ambitious universities concerned about their 'marginality' and even 'survivability', they 'cannot depend on old habits of weak steering'. They need to become 'quicker, more flexible, and especially more focused in reactions to expanding and changing demands'. A strengthened steering core is a necessity – and it is prevalent in the private sector.

The university centre is constantly dealing with risk, the management and understanding of which is crucial; and *the* risk, to manage on a daily basis, is the financial one (as the rector in the Russian case study of the University of Pereslavl put it, 'the university constantly encounters difficulties securing



basic daily needs . . . which demoralizes staff and distracts it from its mission'). The role of obtaining resources (through retaining or increasing the number of students) seems more important than the role of building reputation for the private institutions studied. In terms of management structures, as in public entrepreneurial universities, private institutions have powerful centres, strong management groups, usually comprising a few administrators. In decision making, the role of collegial bodies appears, in most cases, marginal (most often, if they nominally exist but only their formal approval of decisions taken is sought). Most private institutions do not use resource allocation procedures to make strategic choices about their future direction. Also, no major impact of a new bureaucracy is reported: both the number, and the role, of development officers, technology transfer experts, special staff managers, and fundraising officers is small. The role of strategic committees, so fundamental to managing the entrepreneurial universities studied (especially at Warwick and Nottingham), is minimal. In transition countries, a unique feature is that management in the private sector is dealing, to a large extent, with academics also working (in a parallel manner) in the public sector (the Russian case of the small, regional, and private University of Pereslavl is a counter-example to this, as most academics working there are full-time professors – but this institution was born out of a former state-funded think tank of the Russian Academy of Sciences). Consequently, the fusion of managerial and academic values is both more and less feasible: more, because academics bring with them the traditional collegial attitudes prevalent in public institutions; less, because most of them come to the private sector not for research and teaching satisfaction but for financial reasons, and they can quit any time. In the other countries studied, this could not happen (the UK, Spain). The management structures are nominally three-level arrangements (centre–faculties–departments) but in practice they seem to be flat (centre–departments, as at Buckingham), and in smaller institutions, even centre–academics, with no intermediaries (WSHIG in Poland).

In small private institutions, which have sometimes appeared out of nowhere, with no international investments or public subsidies involved, and which in their first years of operation had been constantly in danger of financial collapse (WSHIG in Poznan being a perfect example), both governance and management structures and procedures may be simplified to the extreme. The culture of financial survival, as reported in Spain, Russia, Moldova, and Poland, has been very strong in these institutions. The consequences for management styles and managerial practices are significant: most often, decisions are taken by one to five people only, there is almost no spirit of collegiality, and all major (and sometimes even most minor) decisions are actually taken by rectors/owners/founders; sometimes, as reported in the Russian case of Pereslavl, some collegiality is still reported, combined with what its rector calls:

overall management ineffectiveness . . . in its purest sense, to connote weakness in organization of university activities. The development of

effectively operating offices is in process, while ill-prepared documents, inability to effectively process data and chaotic scheduling still chronically undermine the effectiveness of university management. (Pereslavl case study)

These simplified management structures in most institutions studied seem to be possible only in relatively small institutions, with limited research ambitions and those which are relatively non-competitive workplaces for the staff. There are virtually no research funds available to these institutions (either from private or from public sources) and consequently most academic decisions are relatively non-controversial and teaching-related. As in the Polish case of WSHIG:

The Academy has a very stable organizational and management structure: the founder and the owner (Professor Roman Dawid Tauber) has been its rector in the whole period. All key decisions concerning WSHIG are taken by the rector. There is no Senate as the Academy is too small – but key academic decisions are confirmed by WSHIG's Scientific Board, meeting 3–4 times a year . . . The management team is small and very effective; it comprises rector and the three vice-rectors. All senior administrative staff, including vice-rectors, has been working for WSHIG for a decade or more. The key for the success of WSHIG is the loyalty of its staff, both administrative and academic . . . In a small-size academic institution like WSHIG it is still possible for its rector to make all major decisions; and to make many minor decisions. (WSHIG case study)

The role of strong core administrators – accompanied by strong strategic committees – is emphasized in many EUEREK (and other) case studies of European universities. Managing structures and decision-making processes at a small private university (University of Buckingham) are substantially different from those at bigger institutions (such as Warwick and Nottingham Universities in the UK or Twente University in the Netherlands). For example, each of the three schools at Buckingham is treated as a business division, with each responsible for maximizing its financial return (derived largely from teaching). The decision-making process at Buckingham is quick but there is also considerable space for collegiality – which makes it different from other private institutions. As the Director of Finance puts it:

Buckingham has three academic Schools, and we look at them as three business divisions. Each is responsible for making the maximum financial return and growing their business. The decision-making process at the University is quick and comprises five people: the VC, his deputy and the three Deans. We meet every week for two to three hours, so we do make good progress and good academic decisions in that sense. We get on very well. (Buckingham case study)

Academic entrepreneurialism involves risk-taking (Shattock, 2003; Williams, 2004a: 19); in most of the EUEREK case studies, institutions have

to deal with a high level of risk on a daily basis; in private institutions, *the* major risk studied is a financial one, related to student numbers (and student fees). But as Shattock explains, ‘risks [in universities] may be academic or reputational as well as financial’ (Shattock, 2005: 19). The Polish case study of a medium-sized, vocationally orientated private institution (WSHIG – Academy of Hotel Management in Poznan) explains:

WSHIG has been operating under constant risk in recent years. The major risk has been financial – will the income from student fees cover the expenditures, especially including debt instalments to the banks. WSHIG has been investing heavily in its infrastructure. As other private institutions, only from its own sources, with no state subsidies. WSHIG’s rector was doing wonders to be able to pay back the bank loans in time (also using his private assets). The second risk has been student enrolments. (WSHIG case study)

At Buckingham, in a similar vein, what is meant by risk is financial risk:

The most important risk to the University is financial. With a small research portfolio, academic risk is restricted to the student take up of degree programmes. In that sense the University is operating on a knife edge of risk. (Buckingham case study)

There are also other forms of risk: competition in the areas of studies (public institutions suddenly opening the same specializations/programmes or modifying existing ones – and running them without charging student fees), state regulations, and prestige (reputation). As reported in Russia, the most important risk at Pereslavl is the possible future shortage of qualified professors, followed by the possibility of losing existing public funding for its research centre run by the Russian Academy of Sciences (the University itself lost its public funding in 2001). As the case study reveals, ‘the university is in constant talks with the local administration and enterprises for extra funding but their support normally comes in kind’ (Pereslavl case study). Finally, the risk for both public and private institutions can also be reputational.

## The extended developmental periphery

The third element of entrepreneurial universities in Clark’s formulation is their extended developmental periphery, units that ‘more readily than traditional academic departments, reach across university boundaries to link up with outside organizations and groups’ (Clark, 1998: 6). This element appears quite limited in scope, operations, and importance at traditional universities. In the private sector studied, academic peripheries also play a very limited role: most case studies do not mention them at all.

In universities generally, there is an increasing number of operating units that are not traditional, discipline-centred departments. These units in

particular take the form of interdisciplinary and transdisciplinary research centres focusing on a wide range of societal problems. The extended periphery can also be units of teaching outreach, under such labels as continuing education, lifelong education, distance education, and professional development. These research and teaching instruments cross old university boundaries to bring in new students and new kinds of research. Clark (1998) suggests that such base units have natural allies in the steering core – among agents of change located in the centre. These new entrepreneurial units fundamentally change the character of the university, adding new dimensions to traditional (departments–faculties–the centre) or newer, flatter structures (departments–centre). They require different management styles as they are often non-permanent, contract-funded units, staffed by non-tenured contracted academics. These styles are more flexible and relationships between the centre and peripheral units become much less formal and less bureaucratic – one of the reasons is that these units at the peripheries are often where most outside research funds are being invested.

The crucial role of these new research centres is overwhelming and universally reported. Research centres increasingly attract more outside funding in the form of grants and contracts. Their existence confirms a dual structure of most entrepreneurial institutions: traditional academic departments (and disciplines of teaching and research) and transdisciplinary and non-traditional research centres (and transdisciplinary research; sometimes teaching – but then mostly postgraduate programmes and short courses). These academic peripheries can come under the structure of departments, or be accountable directly to the centre (as is the case in Poland where most new research centres are accountable academically and financially directly to vice-rectors for research, avoiding hierarchies of departments and faculties, and deans and heads of departments, for example at AMU).

The new peripheries take two basic forms: (a) new administrative offices and (b) new academic units. The appearance of new specialized administrative offices is closely related to new tasks being undertaken and unknown to the institution in its traditional structures and funding opportunities. New offices (and posts) include: grants and contracts office, research and innovation offices, and various offices related to new academic programmes, such as entrepreneurship support programmes as described below. Other new units mentioned by Clark (2004a: 86) include the office of industrial relations, the alumni offices, the retail services office, the conference and special events office, the continuing education office, and the capital projects office. They all make sense at entrepreneurial universities where they are all closely related to the third stream of university funding discussed above. Clark calls them ‘new bureaucrats of change’ – who increasingly replace old traditional civil servants in transforming public universities. New funding opportunities contribute to the emergence of new peripheral support units. The academic structure as reported by case studies on entrepreneurial universities is changing substantially owing to these new peripheries, both academic and administrative. New boundary-spanning academic units (research centres and institutes)

link themselves much more easily to the outside world (and outside funding), in contrast to the traditional, disciplinary-centred departments.

To summarize, the role of extended developmental peripheries in the private institutions studied is marginal; new transdisciplinary research centres are sometimes reported but they do not change the character of these institutions and their (rare as it is) existence does not lead to the introduction of new management styles or new internal resource allocation procedures. They do not form parallel, increasingly powerful university structures. They do not seem to attract new sources of funding and they are not engaged in an aggressive search for new research areas, as in the public sector. Also, the role of new administrative units, so crucial to the public entrepreneurial institutions studied, by comparison, is marginal. Most new posts and new units in the public sector are related to new opportunities for research funding, or the exploitation of research results, innovation, international off-campus teaching, or royalty rights. In the private institutions studied, the need for these units is still very limited, although they do sometimes appear (offices for EU structural funds in Poland, EU research or Tempus officers in Russia and Ukraine, etc.). The balance of power in management is not changed by new peripheral research (or teaching) units. There are few people working on research grants, without employment contracts, and there is no need to have bridging policies ready for this staff category. They do not have major (or, in most cases, any) problems with managing intellectual property issues or consultancies. There do not seem to exist clear research targets and funding for particular units does not seem to be based on meeting the targets, or bringing additional research-related revenue to the institution. Consequently, at the moment, the extended developmental periphery is almost absent in the private sector in Europe, at least as revealed in our case studies.

## The stimulated academic heartland

The fourth element of Clark's entrepreneurial universities recognizes that strong universities are built on strong academic departments. The acceptance of change by departments is critical. As Clark put it, 'for change to take hold, one department and faculty after another needs itself to become an entrepreneurial unit, reaching more strongly to the outside with new programs and relationships and promoting third-stream income' (Clark, 1998: 7). Entrepreneurial universities become based on entrepreneurial departments. Research centres and institutes proliferate and may change the balance of power at an institution – they usually have greater opportunities for outside funding, and are directly related to the university management centre (also owing to their successes in attracting funding; this proximity to the centre, as reported by case studies, is most often informal). But apart from academic peripheries, traditional departments do count, and this is where most teaching and research is reported to be taking place.

The issues of developing new knowledge from entrepreneurial activities, the dissemination of new knowledge, and knowledge exploitation and technology transfer mechanisms look quite similar in most of the private institution case studies. Except for the Swedish case of Jönköping, none of the institutions have science parks or significant (either public or private) research funds. Interviewees mention teaching, seminars, and books as their contribution to knowledge transfer. There is no major difference in this context between WSHIG in Poland, UCH in Spain, or the TCUM in Moldova: they are mostly teaching institutions, with a strong vocational component of studies. In the Spanish case, though, there is an idea to set up an Office for the Transfer of Research Results – and there are already two institutes where the dissemination of research work is located (Buckingham also intends to go in the same direction). In the Russian case, the strong research inclination of the Pereslavl faculty is emphasized, following its origins in the fundamental research of the local branch of the Russian Academy of Sciences. As the Polish case study explains about the role of research and teaching:

WSHIG is a special case of fully professionally-oriented educational institution. Being both a private institution and an almost completely teaching (as opposed to teaching and research) institution, WSHIG does not intend – by its mission – to develop or disseminate new knowledge or intend to get involved in knowledge transfer . . . If any knowledge transfer could be mentioned, it would be the knowledge provided through short-term courses to professionals already working in the areas of studies represented by WSHIG. The role of research at WSHIG, both according to its mission and in practice, is marginal. But nevertheless WSHIG has published a few dozen books and collective volumes in its areas of interest. As a vocationally-oriented teaching institution, WSHIG does not see the reason to get involved in research not related to its major areas. (WSHIG case study)

The private institutions studied do not have a strong ‘academic heartland’, as they are predominantly teaching institutions.

In more general terms, and with respect to the public sector, entrepreneurship is reported not to belong to a few disciplines or subject areas – it has come to characterize virtually all academic fields (and such universities as Twente and Warwick are the best examples here, even though they represent two extreme poles in management structures: decentralization and centralization). The following features from academic departments are reported to reveal their growing entrepreneurialism (the Warwick case): the melting of the periphery into the core; the extensive building of research centres under departments; the construction of a university-wide graduate school; and the introduction of an imaginative and highly attractive research fellowship scheme (Clark, 1998: 27).

Both Clark’s case studies and other European case studies of entrepreneurial universities show that there is an uneven spread of entrepreneurialism

within an institution, with various rates of change, most often depending on external opportunities. While in Western Europe and the United States, apparently the most enterprising parts of traditional academia ('academic heartland') are in the science and technology areas; in most transition countries, as confirmed by the case studies, the most entrepreneurially minded units, departments, and institutions, as well as academics, are those 'soft' areas: economics, law and business, management, marketing, sociology, political sciences. These are the areas in which the largest part of the private sector operates, and in which the public sector runs its most enterprising study programmes for fee-paying students (all the Polish, Russian, and Moldovan EUEREK case studies confirm this tendency). Also, the availability of grants, including international research grants, in these areas is considerable. In transition economies, 'soft' disciplines, including economics and business and social sciences in particular, are much more easily fundable, and consequently are much more agents of entrepreneurial change in academic institutions.

In the private institutions studied, a variety of forms of study are available (full-time, part-time, weekends). Despite, at least in some countries, flexibility in opening new programmes wherever necessary, the content of study on offer seems to have been stable over the last 10 years, despite the frequently proposed need to expand the institutional profile. Thus WSHIG continues to teach mostly hospitality management and culinary arts, and Pereslavl continues to concentrate teaching on computing and mathematics; as the Pereslavl's case study explains, 'more than ten years after the opening of the university, it did not expand dramatically in terms of enrolment or courses', and its rector mentions 'the most common feature of the Pereslavl university is single-sector orientation'). No major changes in governance and organizational structures in the last 10 years were reported in the majority of institutions studied. They provide wide opportunities for on-the-job training and work experience for a large proportion of students (especially in Poland, UK, Russia, and Spain). There are often people with professional prestige (non-academics) among part-time staff. The feeling of being disadvantaged compared with the public institutions is reported in interviews (especially with respect to research funding). They have a record of appointing their own graduates to staff or faculty positions: in 2005, 80% of administrative staff in WSHIG and 30% of academic faculty at the University of Pereslavl were their own graduates. The institutions are most often ineligible for public funding: Poland (both for teaching and research), UK (for teaching), Russia (both for teaching and research), and Spain (for teaching). Jönköping is exceptional in being eligible for public funds both for teaching and research. Often, eligibility for public research grants in theory does not mean that research grants are awarded in practice, because of losing out in competition with elite public research universities.

## Institution-wide, integrated entrepreneurial culture

The last element of the entrepreneurial university within Clark's framework is the 'entrepreneurial culture'. 'Enterprising universities . . . develop a work culture that embraces change' (Clark, 1998: 7). Organizational culture, seen as the realm of ideas, beliefs, and asserted values, is the symbolic side of the material components featured in the first four elements, Clark claims. It may start as a (relatively simple) institutional idea that is later elaborated into a set of beliefs and finally becomes the culture of the institution. It is a crucial component for entrepreneurial transformations, the first four elements being merely the means. In the case studies analysed, the founding idea was 'the earned income' concept as conceived at the University of Warwick after the Thatcher financial cuts over 20 years ago; the idea of 'the entrepreneurial university' as conceived vaguely at Twente; the idea of commitment to 'innovation' back in the 1980s at Chalmers University of Technology in Sweden (and its opting-out of the Swedish state system in 1994); the idea of following 'northern issues' at Lapland University, as reported in the case study; and the idea of rejecting state funds and state bureaucracy at the foundation of Buckingham University. Sometimes the emergent culture stems from individual visions, as reported in many institutions in the transition countries. WSHIG in Poland, whose founder and owner wished education in the catering industry, the culinary arts, and hospitality management to be made available at a higher education level, which was not available when he was getting his education in Poland, is a good example of how an individual's idea can be transformed into a complete institutional culture within a decade a half. Another example comes from the University of Pereslavl in Russia, where strong leadership and the idea of its first rector (after whom the university is named today) to transform a state research centre in software and computing founded back in 1984 led to the opening of a small private university answering to the demands of the city and its enterprises in 1993, following Russian market reforms in other areas. The importance of sharing a vision for an institution is reported in the case studies as being very important. The role of sharing a vision is confirmed at LSHTM at London University:

Many people in this School are very altruistic, they are interested in the School's mission, *improvement of health worldwide. They really believe in it, that's what motivates them.* You have to be creative and inventive to be able to do that, you have to keep your research and funding going. If that is entrepreneurialism, then we are good at that. (LSHTM case study, emphasis added)



## Conclusions

Let us summarize our conclusions about the academic entrepreneurialism of private higher education institutions point by point.

1. The case study private institutions generally view themselves as less entrepreneurial than the public ones. Their access to research funds (especially public) – which most often heralds the appearance of the entrepreneurial culture – is very limited. But they are often very successful teaching institutions. Their major concern is to survive financially as they are heavily dependent on student fees and they experience fluctuations in enrolments. Their mission and strategy are self-determined rather than influenced by state policies, and it is usually difficult to embark on institutional transformations. No major relationships between changes in governance and organizational structures and the emergence of entrepreneurialism were reported. The major source of non-core/non-state funding in almost all cases is student fees; no major changes in income structures were reported in recent years (Buckingham is exceptional here because of its higher level of research funding and recent focus on third mission activities). No major academic risks are being taken by staff and institutions, but often financial risks are taken by institutions. Compared with the public sector, few examples of the development of new knowledge from entrepreneurial activities are reported. Apart from teaching, few examples of other major kinds of dissemination of knowledge are reported. Also, only a limited number of mechanisms of knowledge transfer/knowledge exploitation are reported. Generally, there is a non-supportive climate for developing knowledge exploitation (additionally, they are mostly teaching institutions). There is competition with other institutions mostly for students (and for their fees) and not in research. Financial incentives or award systems for staff are generally marginal. Inhibitors to entrepreneurialism have clearly national dimensions (different history and tradition, reasons to found an institution, funding regimes).

2. In general, having a diversified funding base does not seem to work for the private institutions studied. Their ability (and opportunities) to use the ‘third source’ of income, especially (perhaps most welcome) ‘university-generated’ income, are very limited (and these characteristics bring them close to public institutions in the transition countries). Their high financial dependence on a single source of income makes them easily prone to financial problems. In general, they are able to compete for public or private research funds in a very limited way; being largely teaching institutions, they are not able in practice to compete with public universities. Separate units are rarely rewarded (or punished) for their entrepreneurialism and rarely act as separate business units, as is often the case with most successful public entrepreneurial universities. They do not seem to have incentive policies to support their staff in seeking non-core sources of income – income other than student fees. They do not have access to government funds – but also most often do not have access to government agencies as sources of third-stream

income or to private organized sources (such as business firms, philanthropic foundations, etc.) and do not use policies to support university-generated income. The share of their income from alumni fundraising, research contracts, patents, endowments, or earned income from campus operations is negligible, in most cases not even marginal. There is no mutual feeding and encouragement between non-core sources of income. There is also no major need to keep complicated resource allocation formulae in funding particular departments, or the need to keep a fair balance between the centre and the units through elaborate top-slicing and cross-subsidizing techniques. In the context of a diversified funding base, if entrepreneurialism is to be taken seriously in the private sector, the non-core income would be the income from any other sources than student fees, leading to a lower dependence on this currently single most important source.

3. The role of the 'strengthened steering core' in entrepreneurialism in private institutions is significant but there does not seem to be the need for balancing influences across multiple levels of these institutions, and there does not appear to be a need to keep a constant balance between particular departments through the intervention of the centre. In contrast to public entrepreneurial institutions, the role of faculty participation in central councils is severely reduced. Collegial management is rare, and connections between academics and administrators/management/founders/owners are limited. The centre is constantly dealing with risk, the management and understanding of which is crucial; and the risk, to manage on a daily basis, is the financial one. The role of attracting resources (through retaining or increasing the number of students) is more important than the role of building a reputation for the private institutions studied. In terms of management structures, as in public entrepreneurial universities, private institutions have powerful centres, strong management groups, usually comprising a small group of administrators. In decision-making, the role of collegial bodies is, in most cases, marginal. Most private institutions do not use resource allocation procedures to make strategic choices about their future direction. Also, no major impact of a new bureaucracy is reported: both the number and the role of development officers, technology transfer experts, special staff managers, and fundraising officers is small. The role of strategic committees, so fundamental for managing entrepreneurial universities, seems minimal. In the transition countries, a unique feature is that management in the private sector is concerned, to a large extent, with academics working (in a parallel manner) in the public sector. The management structures are nominally three-level arrangements (centre-faculties-departments) but in practice they seem to be flat (centre-departments), and in smaller institutions even centre-academics, with no intermediaries.

4. The role of 'extended developmental peripheries' in the EUEREK private institutions studied is marginal; new transdisciplinary research centres are sometimes reported but they do not change the character of these institutions and their existence does not lead to the introduction of new management styles or new internal resource allocation procedures.

They do not form parallel, increasingly powerful university structures. They do not seem to attract new sources of funding and are not engaged in aggressively searching for new research areas. Also, the role of new administrative units, so crucial to public entrepreneurial institutions studied, is marginal in comparison. Most new posts and new units in the public sector are related to new opportunities for research funding, the exploitation of research results, innovation, international off-campus teaching, royalty rights, and so on. In the private institutions studied, the need for these units is still very small. The balance of power in management is not changed by new peripheral research (or teaching) units. There are few people working on research grants, without employment contracts, and there is no need to have bridging policies (as, for example, at LSHTM) ready for this staff category. They do not have major (or, in most cases, any) problems with managing intellectual property issues or consultancies. There do not seem to be clear research targets and funding for particular units does not appear to be based on meeting targets, or bringing additional research-related revenue to the institution. Consequently, at the moment, the extended developmental periphery appears almost absent from the private sector in Europe, at least as regards the EUERЕК case studies.

5. Almost all private institutions studied are involved only marginally in research. Competition with public institutions, in the context of a general lack of access (in theory or in practice) to public research funds, means competition for students and their fees. The second factor relevant for the mission and strategy of the private institutions studied is uncertainty about student enrolments – as enrolments may be going down or be fluctuating. Among the public institutions, despite internal competition, entrepreneurial universities report a high degree of internal cooperation, especially in grant applications, which appears not to be the case in private institutions. Because access to research funds is very limited, so is both internal and external competition. Cooperation seems to concern teaching rather than any other activities. The role of competition at public entrepreneurial universities is widely reported to be crucial. The competition is mostly for research funds, especially external sources of income. The overall effect of growing competition in sciences and the humanities alike is reported in the case studies as extremely positive, even though the picture for universities that are the most successful in this differs substantially from that of traditional, non-competitive academic institutions. There is a strong implication from the vast majority of the case studies that without competition for funds, entrepreneurial universities would not become entrepreneurial, even though they could be top in their respective disciplines and excellent in research and teaching. Private institutions do not take part in this race for external funding.

6. The use of the concept of 'entrepreneurialism' for the study of private institutions requires further adaptations. In the case studies analysed, of Clark's five constitutive elements of the entrepreneurial university, perhaps two or three could be said to exist: the strengthened steering core, the

integrated entrepreneurial culture, and perhaps, in some cases only, the stimulated academic heartland. No diversified funding appears to have been reported, and no extended peripheries were observed.

## Notes

1. I wish to express my gratitude to Professor Michael Shattock for the extended comments he made on the draft of this chapter. All limitations are my sole responsibility, however.
2. Throughout the text, and especially in its conclusions, two exceptional cases need to be borne in mind: Pereslavl is not a standard teaching-orientated private university in Russia due to its historical origins in, and current affiliation with, the Russian Academy of Sciences; and Jönköping University has been a nominally non-state – foundation-based – Swedish university with equal access to public funding. Thus in the majority of generalizations about private institutions, Jönköping University does not fit, so unless otherwise stated, the Swedish case is separate – the most important difference is that Jönköping University does not charge student fees and has full access to public research and teaching funds, which, from a comparative perspective, makes it similar to public sector institutions. It has a similar status to Chalmers University of Technology in Sweden as analysed by Clark: nominally a private institution, with full access to public funding on equal terms with other public universities (Clark, 1998: 84–102 and Clark, 2004a: 61–70).
3. The public sector, to a large extent, has produced the private sector there (through academic faculty using parallel employment opportunities), at least initially, instead of reforming itself. The privatization of higher education often meant the creation of (new) private institutions by the faculty from the public sector (and Poland, Russia, and Moldova are good examples). Questions concerning the legitimacy of new arrivals to the educational arena have been raised from the very beginning, especially in some transition countries where private universities were born in a sort of post-1989 legal vacuum. But the common feature in most of those transition countries with substantial enrolments in the private sector is the interplay of cooperation and competition: even though private institutions themselves compete with public ones, they most often share with their competitors the majority of their faculty.
4. In Poland, both the public and private sectors rely heavily on student fees; from a comparative perspective, fees constitute about 20% of the overall budget of the public sector institutions and 95% of the overall budget of the private sector institutions. For the public sector, the other sources of income include state subsidies for teaching (50–60% on average in 2002) and research subsidies (about 15%). Consequently, private institutions are almost wholly dependent on student fees,
5. To explain the Polish example: the proportion of income by source of income is highly diversified according to the type of institution. In 2004, in public technical institutions, the proportion of income from teaching was 75.1% and from research 20.5%; for universities it was 85.2% and 10.6%, and for universities of economics 90.0% and 5.1%. Public institutions are much more deeply involved in research activities than are private institutions, for most of which research is a side activity

both in terms of academic mission and in terms of funding. The structure of income from teaching activities according to sources of funding for teaching shows that the main source of funding in public institutions is from the state budget (71.2%), followed by tuition fees (21.8%) and other sources (6.9%). In private institutions, the main source of income from teaching activities is tuition fees (97%). Generally, over 80% of all income from teaching goes to public institutions (82.1%); also, all state subsidies (100%) go to public institutions and slightly more than a half (50.7%) of all income from student fees goes to public institutions as well.

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