

HUMANE

Heads of University Management & Administration Network in Europe

Seminar

FINANCE AND FUNDING

Helsinki School of Economics and Business Administration

4-5 June 1999

Esa Ahonen welcomed participants to the recently refurbished premises of the Helsinki School of Economics and Business Administration (HSEBA), and gave an illustrated presentation on the development and range of the School's activities.

The seminar had been organised by a sub-committee led by Andris Barblan, Secretary-General of CRE and a member of the HUMANE Executive Committee. Andris introduced the thematic background to the seminar and set it in the context of work jointly undertaken by CRE and the European Commission on "European Strategies for Universities", dealing with income generation, the allocation of funds, and above all, the issue of creative spending linked to organisational structure. He stressed the need to think in future about mainstreaming activities that were currently marginal, and how to develop transparent methods of allocating resources.

Efficient Spending : the outsourcing of services

Roddy Begg: Formerly Secretary to the University of Aberdeen

Abstract

In some countries, outsourcing of university administrative services has been in use for many years. In others, such loss of control would be unacceptable. What are the advantages and disadvantages of

outsourcing? The presentation will define outsourcing of services and describe in detail a number of the more obvious cases for outsourcing - such as legal services and cleaning.

The initial - and in many cases - continuing reason for considering outsourcing is often financial - the university needs to save money and it will cost less to buy the service in than to maintain staff with the required skills on the payroll. But what are the other (non-financial) reasons for considering outsourcing? What administrative services are "no go" areas, and why? How do you go about evaluating the options when the opportunities for outsourcing arise - and how do you go about monitoring the outsourced services and re-evaluating the outcomes?

The presentation will try to take a neutral stance; that it is both acceptable and financially prudent to outsource certain services, but that there is (probably) a limit on how much can - and should - be outsourced. Constant monitoring is essential, and market testing (to ensure that you continue to receive both the best price and excellent service) is essential.

Discussion and Summary

Roddy stressed that his presentation was given from the viewpoint of a generalist administrator, not a financial expert. His talk would offer a checklist of pros and cons, or issues which members should think about whenever outsourcing was considered. He reviewed all likely areas of administration in turn, with specific examples from his own institution.

During discussion several questions dealt with the idea that outsourcing was actually a business concept derived from the USA in the 1980s, and that in practice (since any contractor had to pay additional taxes and make a business profit) it would be unlikely to find a genuinely cheaper service. Roddy accepted these possible objections, but stressed that they did not rule out initial consideration of outsourcing as an option. His view was particularly supported by those who argued that the crucial point was to retain control of the exercise, with an even greater responsibility coming through monitoring the newly-provided service.

Other ideas which were raised included collaboration between HEIs in the provision of services. It was also pointed out that teaching itself was being outsourced in such areas as distance learning or Continuing Education, not to mention the use of postgraduate students. However, it was noted that in some countries the legal status of HEIs made outsourcing much more difficult, or even impossible.

2 Parallel Session (Case Studies from Finland)

The second Session of the seminar took the new form of a parallel session with three groups following different strands, each led by a member of staff from a different university in Helsinki. Each group

reported back to a final plenary session, and there was therefore less general discussion. We shall concentrate here on just one of the presentations (“Outsourcing Information Technologies”) since it reinforced the points made in the first presentation about the need for keeping overall control, and also the point that some participants would have found such actions legally impossible. Moreover, in more general terms the session served to underline the importance of how to deal with the problems of managing change. The other two presentations are illustrated by large extracts from the abstracts:

a) Outsourcing Information Technologies

Markku Kuula, Director of Information Systems, HSEBA

Abstract

The computer center or computer services have existed for more than 30 years at HSEBA. During this time technical development has been fast and the role of computers has changed. Now everybody is using computers in his/her everyday work at all functional levels. In particular, the telephone switchboard, audio-visual services, and university printing services are more and more dependent on modern IT-technologies.

What happened to the computer center and its personnel during these changes? The number of employees has increased and their tasks have changed. However, the computer center was isolated from the other functions and the staff acted as “specialists”, with the attitude: “the customer does not understand anything”. The users were no longer satisfied with this service.

In 1996 the Board of HSEBA decided to appoint a committee whose purpose was to create a new IT-strategy for the university. Among other strategic questions the committee set out to consider the new ways in which to organize the IT-functions and also to analyze the outsourcing possibilities.

In this presentation the IT outsourcing process at HSEBA is described. The following areas are discussed:

1. How did we “sell” the outsourcing idea?
2. What kind of resistance did we find?
3. The unexpected pitfalls that we met.
4. The demonstration effects for other areas at HSEBA.
5. The process and the university values.

6. What we learned and what were the outcomes from this process?

Discussion and Summary

The administrative computing functions at HSEBA had been outsourced in terms of the local network, and Markku gave a frank summary of the problems which had been encountered and the various forms of resistance to change. Group members discussed the problems of how far such outsourcing might usefully go, and also the question of whether computing was so central to modern universities that it could not be safely entrusted to third parties. The need for a specific and detailed contract was stressed, but also the disadvantages whereby anything above the stated minimum then became an extra charge. Markku noted that the experiment was not undertaken merely to save money, and that it had not, in fact, saved money.

b) Creative Investment in Innovation Management

Veijo Ilmavirta, Director, Helsinki University of Technology, International Innovation Centre

Abstract

Universities have long been the main organizations creating new innovative knowledge for social and economic development. Today's society and private sector create increasing demands on the universities regarding their know-how services. Universities are now more clearly extending their activities towards a heavy committed and long-term business partnership with industry and SME's. In Finland industrial co-operation is now an essential part of everyday activity, particularly in technology-oriented universities. EU R&D programmes have accelerated this development and have also trained us to work with international industry and companies in Europe. Thus for most Finnish universities working in global co-operation, international consortia and forming strategic alliances of many kinds are common practice today.

Some universities already realize the importance of protecting their commercial intellectual property rights (IPR) and know-how. They have already taken steps towards modern technology transfer, which includes holding their own patent and licence portfolio and selling their know-how. These activities increase and diversify the role of universities in business co-operation and the development of the information society. Until now universities have had a recognised status as a producer of knowledge, which has tended to prevent scientists and the university from benefiting even from remarkable inventions or taking part in the product development processes. Usually the private enterprise involved in a project has received the industrial rights and on that base and on their own risk have developed new products, processes or systems. Because of this policy the role of the universities has been of minor importance on the patent market. I am sure in the future the top universities' mission will be active holding their own patent and licence portfolio.

Finnish industry and business nowadays require increasing flow of high-tech and know-how from universities, since relatively few companies, like Nokia, have their own research laboratories. They mainly buy R&D services from universities and research institutes. Because of that the external funding or extra budgetary funding of research is now very high (over 70% of total funding in some cases), especially at technical universities. Even at more traditional multidisciplinary universities this is rapidly growing to over 40 %. More than one half of the total volume of research at the Helsinki University of Technology (HUT) is performed in complete partnership with industry and companies but also with SME's.

Example of The Helsinki University of Technology (HUT)

On 1 August 1998 HUT founded a new institute, Otaniemi International Innovation Centre. The aims of the new institute are to

- bring together all the services researchers of HUT would need (the “One Stop Shop”),
- have more effective co-operation within university laboratories and with partners outside the university
- gain more benefit of synergy
- have better and more reliable management of innovations
- have more power and quality for competition
- have more effective marketing of university know-how.

The activities of OIIC are

- Research and liaison services
- Contract management of HUT
- Search and evaluation of innovations
- Protection, management and marketing of innovations
- International marketing of Otaniemi Science Park
- Business services and Spin-off support
- Career services and Alumni.

In order to realize such an large investment of money and human resource the university should have a strong IPR and innovation policy adopted by all members of the academic community. Key targets of the policy, which should favour HUT researchers, are:

- Strong commitment to cooperate with industry and companies so that mutual investments are possible
- Commercial exploitation as an essential activity of university - HUT also as owner of IPR
- Protection of innovations in cooperation with researchers
- Researchers acknowledged as inventors - this puts an obligation also on industry
- Bonus and innovation fees will be paid mainly to inventors and to their laboratories
- University will charge a smaller bonus and the real costs of protection, marketing etc.

Lessons

1. The University should invest on technology transfer of know-how.
2. "Business" activities and extensive external funding should be mainly focused on the strongest key areas of academic knowledge of laboratories, not dispersed on marginal areas.
3. Co-operation where both partners (researchers and university) benefit is the way to sell the new idea of technology transfer. No resistance will occur if you can demonstrate the benefits and do all this!
4. The new practice of OIIC has been a good example to some other fields of institutional activities of HUT, i.e. new kind of co-ordination has started within OIIC, international office and student studies office. OIIC is today also a "model" for other Finnish universities to create their innovation system: a national innovation project has been started by the Council of Finnish University Rectors.

c) Inter-Institutional Co-Operation for Foreign Relations of Universities

Anna Luikko: Director of International Relations, University of Helsinki

The international activities of universities have always been based on the initiative of individual scholars and researchers. During the 1990's, however, Finland's membership of the EU has greatly increased the amount of external funding available for these activities. From the R&D Framework IV Programme the funding for the University of Helsinki was about 22 million Euros.

Other external sources of funding used by individual researchers include foreign funds and foundations, international organisations, enterprises and laboratories. In 1998 the University received about 1.7 million Euros of such funding. Apart from direct funding from the EU, the University received 5 million Euros) from funds that are administered through different Ministries, i.e. the Ministry of Education or the Ministry of Labour. From these structural funds the University receives even more resources than through direct EU funding.

The so-called overhead, intended to cover administrative costs, is an important factor for the universities, but in fact such funding is obtainable only for research programmes, not for educational programmes. Grant money (Socrates, Nordplus) is intended to be used for students only, not for other costs. Where bilateral agreements are concerned, the best result the university can reach is neutral, but in many cases it is negative: which means that the university is making an investment in internationalisation. In most cases the benefits that come to the university through such exchanges must be viewed as more or less intangible.

If the intention is to make modern international exchange activities profitable and to make them include fund raising, universities should train their staff members in these matters and give them both the skills and the time needed for this purpose.

3 Structural Effects on Financial Systems

Professor Luc Wilkin,

Summary and Discussion

(No abstract was provided for this session.) Professor Wilkin offered a sociological view of the management or organisational structures which make change more or less likely. Discussion gravitated towards the value of external consultants when making large-scale decisions about funding or other issues, and also to the whole notion of value-for-money (VFM). It was agreed that the idea of outsourcing would be a good theme for HUMANE in later years, with another vital area being that of how to replace the State as the primary source of funding. Several members from Austria and the UK drew attention to the real possibilities of using facilities (for example, printing or catering) in order to make money - possibly to subsidise or fund other academic areas of the university. The idea of differential rewards for members of staff who traditionally operated on fixed scales was also debated.

4 Creative Spending – Institutional Challenges to be Met

Eero Kasanen : Rector, Helsinki School of Economics and Business Administration

Abstract

The role of administration in university development can be either highly conservative and bureaucratic and thus even detrimental to development, or neutral, or a creative co-developer's role, in which the administration is working closely together with the academic leaders.

Emphasis in financial management has varied from the philosophy of "spending the last penny of the allocated budget" or the philosophy of maximal savings to treating almost all expenditure as an investment in human capital and institutional building. The present trend is towards accumulating new sources of income to enable wider financial scope for new openings and higher levels of available funds as a whole.

In this presentation, the emphasis is on analysing some trends and creative principles that could create maximum value-added for universities. Institutional challenges will be taken up in the framework of recent developments in Finnish and other European Universities. Developments in our own university will be discussed, such as the dual mode of operation with a combination of a traditional university structure on the one hand and a business enterprise structure on the other.

Creative investment in the future, joint ventures with business companies, sponsorship, marketing and information services etc will also be referred to. Other issues include institutional change in structures (for example, outsourcing) that will bring together the case studies presented in the seminar.

Summary and Discussion

In this extremely authoritative and imaginative talk Professor Kasanen stressed the need to see spending as investment, especially in the context of a competitive environment. He explained this in the context of the Finnish system where HE must be free, and where there was no scope for differential funding for institutions based on such factors as quality ratings. He illustrated the ways in which HSEBA funds had increased despite a fall in the funding per student.

In dealing with strategic challenges he laid particular emphasis on

- financial autonomy (returning here to the issues of profit centres, results-based salaries and outsourcing)
- commercialisation (setting up institutes and companies)
- branding (establishing the university as a brand name, with good public relations)

- core competences (again, the possibility of outsourcing)
- dual-mode operation (reconciling what he called the academic and business modes - broadly defined as no-profit and for-profit attitudes, with a range of contrasting values).

This extremely fluent and perceptive session led to many questions and observations. As in other areas discussed during the weekend, the concept of an interface (here, between academic and business modes) was seen as vital. The degree to which such areas could be controlled by voluntary agreements with staff was another important issue.

The seminar was followed (Saturday and Sunday) by a meeting of the HUMANE Round Table. At various points during the seminar and Round Table meeting participants were invited to look around the refurbished facilities at HSEBA, and to see how the best features of design and technology had been integrated. Meanwhile, on both the Friday and Saturday evenings participants took to the water, firstly for a cruise around the archipelago board, and on Saturday for dinner on one of the islands. The Scandinavian tradition of singing during such meals was extended in the best traditions of HUMANE to include songs or other cabaret acts by all nationalities, and it may safely be said that at the end of this cultural exchange participants understood one another even better!

Summary by Trevor Field