Higher Education:  
the Keys to Sustainability

Programme on Institutional Management  
in Higher Education

The increasing demands placed on higher education mean that educational actors have to adapt continuously within a changing environment. Although some of the problems are similar, responses to them can differ widely among OECD countries. What are the main challenges facing institutions? What strategies must they adopt in order to continue to perform their primary function while remaining sustainable?

A brief definition of the concept of “sustainability in higher education

An institution is managed sustainably when it is able to recover all of its economic costs and invest in its infrastructure (physical, human and intellectual). The objective is to maintain the long-term productivity that enables it to pursue consistent strategies and meet the requirements of its students and other users.

OECD/HEFCE Rapport « Managing universities for a sustainable future ».

Growing demands...

The roles played by higher education are growing and diversifying and now include the fostering of social cohesion, citizen engagement, economic development and openness to cultural and scientific innovation, to name but a few. These elements, which constitute the foundation of any society and the underlying aims of government policies, are increasingly becoming part of the remit of higher education. However, although demands are growing, budget constraints are limiting institutions’ capacity to respond. This is true of higher education institutions as a whole across OECD countries, since nearly all receive public funding. This funding is declining and is subject to increasingly stringent requirements short-term and earmarked funding, monitoring of quality and relevance of expenditures, management control. What is more, constraints are not limited only to budgetary aspects and the relation between government and institutions, for students are also becoming more demanding. This partly reflects society’s consumerist expectations and the new type of relationship between society and higher education.

...with consequences sometimes difficult to manage.

This more complex and less stable environment is creating many opportunities and risks to which higher education institutions must try to adapt. As a result, in response to these pressures, they may decide to close altogether or join forces with other higher education institutions. They are also encountering problems in recruiting new staff and renewing infrastructure. All this means that, to remain sustainable, institutions must carefully examine their costs in relation to their revenues.

More effective management and the search for other sources of funding have rapidly come to be seen as indispensable. These practices, which are more or less widespread across countries, make it possible to relieve financial pressure, but they also have their limitations. In managerial terms, better use of resources, greater transparency and procedures more in line with entrepreneurial management can help to attain a certain financial balance. However, higher education institutions are guided by a vision, a mission and social goals that have little to do with a purely commercial rationale. Some services supplied by higher education cannot be financially sustainable, for they are provided within institutions devoted to the transmission of knowledge and content. Similarly, working methods differ from those recommended in the corporate world (e.g., the independence of researchers).

In the realm of funding, new actors such as the private sector, foundations, international organisations (such as the European Commission), various ministries and public agencies are emerging on the “market”. This diversification of funding sources is leading to an overlapping of different rationales that it is difficult for institutions to manage. On the one hand, they receive short-term funding, which is targeted and profitable and responds to specific requirements, while on the other, they must meet the need for long-term planning and the freedom and openness indispensable for research in higher education institutions.
The Need for Reassessment

It is crucial for all actors contributing to the environment of higher education to take a hard look at their own expectations, roles and responsibilities. It is only by clarifying the relationships between the actors involved and incorporating the new entrepreneurial approaches that it will be possible to define a framework for action, set limits, identify opportunities and manage risks. This process raises fundamental questions:

- Who is responsible for the long-term sustainability of higher education, the State or higher education institutions themselves?
- How can national policies be reconciled with institutional independence?
- Is public funding the appropriate means of ensuring the long-term productivity of the higher education system?
- What funding methods should be introduced?

Some avenues of investigation

To understand some of the challenges faced and envisage solutions, IMHE and the Higher Education Funding Council for England (HEFCE) have developed a project to study ways of improving financial management and governance in higher education institutions. This study is based on the experience of eight countries: Australia, Germany, Ireland, Japan, the Netherlands, Sweden, the United Kingdom and the United States (the States of Kentucky and North Dakota). An international synthesis report will be drafted on the basis of these national studies and will present an overview of the problems and solutions identified. Here are some of the issues that this report will cover:

- The legislative and administrative environment of higher education in each country
- The policies and tools used to respond to institutions’ problems. This aspect is being approached from both a historical and forward-looking perspective
- An analysis of the strengths, weakness and risks in each country
- Identification of innovations that have proven their success
- An analysis of the conditions necessary for the financial sustainability of the higher education institutions in each country. How are crises managed in each country?

These reports have elicited a series of questions and recommendations aimed at government, and institutions. These will be discussed at the final general meeting organised on 8 and 9 January in Paris, France. Some of the questions raised will be as follows:

- How is it possible to gain a clear vision of the risks facing a higher education institution and how should these risks be managed?
- What can be done to ensure that the risks are clearly perceived by policy-makers and administrators?
- What steps can be taken to implement financial and administrative procedures that allow for better monitoring?
- How should relations with the State evolve so as to preserve higher education institutions’ independence and vitality in the long term?

Some original solutions are already emerging:

These solutions include the following:

- Creating an independent body between institutions and the government in those countries that have not already done so
- Establishing an independent body responsible for the sound financial management of institutions
- Negotiating long-term funding agreements and move towards a system of providing capital endowment to universities by the State.

For more information on this seminar, contact: Richard.Yelland@oecd.org | www.oecd.org/edu/higher

Other Meetings

These issues have also been partially addressed in various activities of the IMHE. A seminar jointly organised by IMHE and two associations of university rectors and administrators (Nordic University Association-NUS, Nordic Association of University Administrators-NUAS) was held in Oslo on 16 and 17 June 2003. It was attended by some 130 participants from 29 different countries and included representatives of ministries, the private sector and university rectors.

The theme of the seminar was the capacity of higher education institutions to diversify their sources of revenue. The fact that these institutions are managing new types of funds has implications for the planning of the activities, governance and the independence of institutions and for research.

Among the points discussed, the importance of the knowledge-based society was emphasised. Universities should improve the dissemination of knowledge, create private networks for research and development and encourage students to innovate. Industries should also play a more active role (supporting doctoral students, offering courses) and do more to influence society to invest in research and education.
The IMHE News

The IMHE welcomes a new member:
Melbourne University Private School of International Development – Australia

On 28 and 29 August 2003, IMHE organised a seminar in Paris on managing art schools. This seminar is part of a series of conferences organised around the theme of institutional management. It was attended by 81 participants from different backgrounds.

Arts schools today are facing many challenges. Like other higher education institutions, arts schools are confronted with problems related to competition, funding, research, internationalisation, quality assessment, to name a few. Particular for arts schools is the specialist nature of their activities, which means they face additional issues.

At the same time as providing high level education, arts schools are expected to play a fundamental role in the cultural life of society and increasingly, in the economy. Furthermore, governments are looking at the organisation of higher education and its funding. In this context, arts institutions, whether autonomous or part of larger institutions, need to be open to reflection and review.

The seminar brought together perspectives and experiences from a range of countries. The issues addressed were:

- Models of organisation
- Collaboration and integration
- Defining and managing research
- Quality assessment and evaluation
- Employability and career paths
- Human resources in arts education
- Arts education and community engagement.

For further information on this seminar, contact: Jan.Karlsson@oecd.org
The report is available at: http://www.oecd.org/dataoecd/42/61/15180954.PDF

Interesting Links


Elsewhere in OECD

Local Economic and Employment Development OECD Programme (LEED) Study on Global Knowledge Flows and Economic Development

LEED has undertaken a study on Global Knowledge Flows and Economic Development, funded by LEED Partner, Scottish Enterprise, the principal economic development agency for Scotland. The results of the study will be available early in 2004 for an OECD audience, including many case study examples of practices from North America, the Pacific Region, and Northern and Western Europe as well as from Scotland.

For further information, please contact: jonathan.potter@oecd.org

New issues of the Journal of the OECD Programme on Educational Building (PEB)

In 2003, the PEB published two issues of its journal (February and June). They present diverse experiences related to construction, lay-out and security of school and university buildings, all based on real examples. The journal, attuned to new developments, proposes a useful panorama of interesting initiatives.

ISSN 1018-9319, subscriptions@turpinltd.com
## Publications of Interest

  
  This book describes the principles involved in managing universities so that they are successful in the modern era. It emphasizes the importance of the university as an organization rather than a series of compartments and resurrects and reinforces the idea that universities should be managed holistically rather than as segmented organizations.

  
  Science systems in nearly all OECD countries have experienced increasing pressures for change. These pressures reflect new challenges that go beyond the important issue of ensuring sustained funding for the research enterprise as a whole.

  
  Improving the quality of education is a key policy objective in OECD countries. Major education reforms are underway around the world in response to demands to make lifelong learning opportunities available to all.

## IMHE Calendar

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<th>Event</th>
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<tr>
<td>2003</td>
<td>11-12 December</td>
<td>The Future of Universities: Roles, Driving Forces of Change, Scenarios and Policy Challenges, Tokyo, Japan.</td>
<td><a href="mailto:Kurt.Larsen@oecd.org">Kurt.Larsen@oecd.org</a></td>
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<td></td>
<td>7-8 June</td>
<td>2nd New Generation Universities Conference, British, Columbia, Canada.</td>
<td><a href="mailto:Jacqueline.Smith@oecd.org">Jacqueline.Smith@oecd.org</a></td>
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<td></td>
<td>16-21 April</td>
<td>Strategic Management Seminar for Institutional Leaders, University College, Cork, Irlande.</td>
<td><a href="mailto:Valerie.Lafon@oecd.org">Valerie.Lafon@oecd.org</a></td>
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<td>2004</td>
<td>13-15 September</td>
<td>17th IMHE General Conference, Paris, France.</td>
<td><a href="mailto:Jacqueline.Smith@oecd.org">Jacqueline.Smith@oecd.org</a></td>
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## Other Meeting of Interest

  
  Across OECD countries, governments are seeking policies to make education more effective while searching for additional resources to meet the increasing demand for education. This book provides a rich, comparable and up-to-date array of indicators on the performance of education systems in OECD countries.

## Address change? Please inform IMHE.

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