Organization and management of non-profit private higher education
in a multi-ethnic and multi-lingual environment

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Abstract: The South East European University (SEEU) was founded in 2001 as a non-profit university established by co-operation between OSCE, USAID, the European Commission and the Government of the Republic of Macedonia (or FYROM) as a contribution towards conflict prevention. There has been a gradual transition from a centrally managed project to a modern form of organisation and governance attracting favourable comment from OECD-IMHE and the EUA. In 2008, SEEU was granted by the Parliament of Macedonia the status of public-private, non-profit university, the first in the region, reflecting its emphasis on working in the public interest. The paper illustrates the different stages of the transition, the problems encountered along the way, and suggests lessons to be learned in implementing similar initiatives elsewhere.

Key words: governance; management; non-profit higher education; multi-ethnic; multi-lingual

1. Introduction

The establishment of the first (and as yet the only) not-for-profit private (since March 2008 public-private) university in the Republic of Macedonia (officially recognized as such by most countries including the US, but due to objections from the Republic of Greece being known at the date of writing in UN circles as FYROM), operating in the public interest, presented a unique challenge. The Law on Higher Education 2000 was the first stage in a gradual process allowing higher education to be conducted in a language other than Macedonian. At that time only non-state institutions were permitted to teach in the Albanian or other minority languages, subject to a number of restrictions. The law permitted the university’s foundation as a private entity but did not distinguish between profit and non-profit institutions and, while imposing certain licensing and operating requirements, left the organizational structure to the university’s founders. What is described here is the process of transition from the original project developed in 2000/2001 to the current structure, influenced by external factors including the political processes in this small country, now a candidate for accession to the EU. The current status of public-private, not-for-profit, implies that the university, while independent of the state, operates its programmes in the public interest, is eligible for government funding based on contract, and re-invests all surpluses in educational activities or operating reserves.

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1 For a full account of the establishment of SEEU (Retrieved from http://www.seeu.edu.mk). An analysis of the political process is found in M. Czapinski, Conflict prevention and the issue of higher education in the mother tongue: The case of the Republic of Macedonia. (Doctoral dissertation, University of Tilburg, the Netherlands)
2. Background

The governance, leadership and management of a modern university represent a range of complex and critical challenges. How to ensure “good governance” of universities is a recurrent theme in Europe, the United States and other parts of the world. As the introduction to the European Universities Association (EUA) 2007 report Managing the University Community: Exploring Good Practice (EUA, 2007)\(^2\) states: sound governance is one of the top issues on the work agenda of European university leaders today—as indeed it is in the United States. It was the topic of two conferences of EUA in 2007 and 2008 focusing on the linkages between higher education and society, and on ways of engaging the academic community, of teachers and students, in planning and development of institutions.

The EUA Report also illustrates the barriers to institutional management including “the difficulty inherent in abandoning the comfortable dependence on government for the more challenging aspects of true autonomy”. The case studies in the EUA Report, the issues arising from the EUA Institutional Evaluation Programme, Workshops on Governance and Leadership and Trends Report \(^3\), coupled with the research undertaken by the Centre for Higher Education Policy Studies (CHEPS) for the report The Extent and Impact of Higher Education Governance Reform across Europe\(^4\) provide a useful background to the development of sound governance in the South East Europe (SEE) region as institutions change from a position of subservience to detailed state intervention to one of partnership with the state. As Lambert and Butler\(^5\) state, “Many decades of state domination has left most European universities with limited autonomy and poor systems of governance”.

Under pressure from the commitments given in the Bologna Process—which aims at creating a system of mutual recognition of degrees, etc., across a European Higher Education Area with 46 members, from Iceland in the west to the eastern seabord of the Russian Federation, reflecting also the work of the Council of Europe’s Legislative Reform Programme in Higher Education and Research (1991-2000, LRP)\(^6\), there is increasing emphasis on accountable governance of autonomous universities. In the SEE region this is reflected in such legal provisions as the introduction of Councils into universities in the Republic of Macedonia (Articles 58 & 59 of the Law on Higher Education 2008)\(^7\) and recognition of the importance of similar bodies in strategic planning, human resources development, diversity in financing, quality assurance and audit in the laws and practices of R Serbia (Article 51 of the draft Law on Higher Education—amending the existing Law of 2005 and under consideration in early 2009), and Bosnia and Herzegovina (Article 14 of the Framework Law on Higher Education adopted in August 2007)\(^8\). The principles are recognised throughout the SEE region, although the details differ. If institutions are to maintain their autonomy they need to demonstrate that they are capable of, and can be trusted in, looking after their own affairs. There is some similarity between these newly-created bodies and those which are titled “councils”, “courts”, “councils of administration”, “boards of governors” in other parts of Europe and less so with Boards of Trustees, etc., in the United States as the emphasis has not shifted completely to a dominance of external

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\(^7\) Official Gazette of R Macedonia, No 35/08.

\(^8\) Official Gazette of BiH, No 94/07.
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members.

A number of published documents, including the university’s own strategic plan and reports and reports from OECD-IMHE and EUA, have identified the difficult problems in higher education associated with the disintegration of the former Yugoslavia and formation of the Republic of Macedonia in 1991. Foremost among these problems was the lack of provision for legalised and accredited higher education in their own language of the significant Albanian minority population (representing some 25% -28% of the total). The situation had arisen because of the creation of new borders, particularly the border with the Albanian-dominated Kosovo region of what was then the Federal Republic of Yugoslavia; the crisis resulting in the Kosovo war had affected Albanian-language higher education in both Kosovo and the Republic of Macedonia; Albanian speakers simply had no way of acquiring recognised higher education qualifications without attending courses taught in the completely different Slavic Macedonian or Serbian languages.

SEEU was founded as a result of OSCE initiatives to redress this problem while providing opportunities for interethnic and multilingual learning. Initial donations totalling some €35m were obtained from different sources, about 50% from the US through USAID. A “clean slate” was available on which to design the ultimate best form of governance for such an institution. The European influence was prominent, given the secondment of a senior university administrator from the UK who had also worked since 1994 in twelve countries of the former Yugoslavia and Soviet Union in legislative and governance reform. Administrative help, and assistance with formulating a sound system of governance, were also offered through a three year USD3m USAID linkage—subsequently extended for another three years by a further USD3m, but the US approach, based on the experience of state universities, although welcome and valued, was not fully applicable in the European context and available resources were switched into curriculum development in specific fields. The results of some European Union TEMPUS projects, particularly in the area of quality management, have also been useful. All the most modern approaches to governance have been considered carefully, and appropriate ones incorporated into strategic planning and organizational change. In addition, much emphasis was placed on the outcomes of the LRP, during which the second author developed a structural model for higher education legislation based on analysis of laws and practices across all of Europe. This structural model assisted the development of the Republic of Macedonia’s laws from 2000 to the latest law of 2008, as well as the laws of other countries in the region.

3. Description

Since donors were understandably cautious about how their significant contributions, some USD17m in the case of the US plus the USD3m project already referred to (and the further USD3m linkage from 2004-2007), €5m from the EU (€2.25m more in 2006) and the balance of an initial total of about €35m, were to be managed, the university was set up through an International Foundation (IF) established in Switzerland in 2000. This controlled the international funding, and a National Foundation (NF) was established in Macedonia to comply with local law and to manage local funding, licensing, permits for construction, tax issues, etc. The first author was appointed as director of the NF and the second author as a member of the IF and NF. Construction of the university using prefabricated buildings started in March 2001, and continued during the period of considerable political unrest leading to the conflict of summer 2001. The university was opened to its first 860 students in October 2001 and the director of the NF took up his position as rector. The second author became the founding secretary-general and accordingly resigned from the NF.
During the first year of operation the IF maintained full control over financing, staffing and other resources including a €20m building schedule and developed, through management consultants based in Switzerland, all the university’s initial academic and other policies. The NF was advisory, participating along with other local experts in the construction of the first curriculum. In early 2002 the boards of the two foundations formed a joint board, to which were delegated most of the functions of the IF, and which from then on determined all financial, academic and other policies of the university. With the adoption of the first University Statute in autumn 2002, as the university matured and tripled its student numbers, the structure of board and senate common in new higher education laws in the region was adopted, the joint boards becoming the board, which gradually relinquished its control over details of academic work, while still maintaining the final say over the university’s “educational character and mission”. The IF with few residuary powers was dissolved in 2004, the NF was also dissolved, and a new foundation created essentially as a trustee of the assets of the former IF and NF. The current SEEU Foundation has identical membership to the university board. In 2007, the structures were developed further, with decentralisation of some functions to faculties, and in 2008/2009, in a university having grown to 8600 students and 400 staff, a more sophisticated resource allocation mechanism will be put in place.

The SEEU Foundation, in addition to acting as trustee of the donated assets, also acts as a fund-raising vehicle for the university. In this connection, it has contracted with Indiana University Foundation (IUF) to deposit some of its reserves with the IUF to fund staff and student exchanges with the US, and scholarships. The university board and foundation are constituted of nine members, three from outside the country—one of whom from western Europe is president, one other from “new” Europe and one from the US, three from the community in Macedonia representing business, academic and public interests, and three from the university senate. There is a proposal to increase the membership to 11, taking into account the provisions of the new Law on Higher Education adopted in Macedonia in 2008 and the size of the university. Of these six members would be from outside the university. The board had these functions as at December 2008, although some minor changes in the statute may be needed as a result of the new law:

1. Framing the overall educational character and mission of the university including research, scholarship and teaching on the proposal of the rectorate or senate or otherwise having consulted with the rectorate and senate and overseeing its continuing activities;
2. Approving procedures for the appointment, assignment, grading, appraisal, suspension, dismissal and determination of the pay and conditions of service of members of staff and, according to the provisions of this Statute, approving senior appointments;
3. The consideration and, as appropriate, approval of the annual estimates of income and expenditure and accounts of the university prepared by the rectorate in a form approved by the board in accordance with law;
4. Putting in place measures to ensure the effective and efficient use of resources, the solvency of the University and the safeguarding of its assets;
5. Making plans for securing adequate resources from both public and private sources; including the establishment within the law of subsidiary companies to exploit commercially the academic work of the university;
6. Supervising the maintenance of accurate records of the income and expenditure of the university;
7. Approving a scheme for delegation of authority over resources and other administrative matters to the Faculties and other units of the university;
8. Arranging for financial audit as hereinafter provided for.
And it shall be the duty of the board:

(1) After consultation with representatives of the staff, and with regard to its obligation to ensure that academic staff of the university have freedom within the law to question and test received wisdom and to put forward new ideas and controversial or unpopular opinions, without placing themselves in jeopardy of losing their jobs or any privileges they may have at the university, to make rules relating to: (a) the conduct of staff; (b) procedures for affording to members of staff the opportunity to seek redress of any grievance relating to their employment; (c) the suspension or dismissal of members of staff; and (d) appeal against such suspension or dismissal;

(2) To determine the tuition and other fees payable to the university;

(3) To make such rules in regard to the government, conduct and management of the university as may be required by this Statute or as it may deem to be desirable and consistent therewith;

(4) To uphold, and ensure that all parts of the university uphold, equality of opportunity in employment and equal access to study and research, regardless of sex, race, sexual orientation, marital status, colour, belonging to an ethnic or national minority, political or religious belief and, so far as is reasonably practicable, age, physical or mental impairment;

(5) To conduct themselves in accordance with the highest standards of selflessness, integrity, objectivity, accountability, openness, honesty and leadership: in discharging his or her duties, no member shall act as a delegate of any group of any description and shall neither seek nor accept any mandate: all members must act at all times solely in the interests of the university as a whole;

(6) To decide the form and content of flag, seal, symbols and diploma in accordance with the laws of the Republic of Macedonia.

Certain decisions including amendment of the statute, closure, merger or transformation of the university and other issues as determined by the university board, require a special form of vote including both national and international external members. The latter protects the “public” investment, albeit that investment, apart from the site itself, has all been internationally funded, while the former protects the Macedonian interest.

4. Issues

The rather bland and dry words of the Statute actually relate to some of the most difficult issues which the university has had to face. These relate to:

(1) The input of the donors and their expectations set against the autonomy of the institution as provided in the Constitution, the Laws on Higher Education and the University’s Statutes

Naturally the decision to donate was based on each donor’s assessment of the need for the initiative and how it could be controlled effectively in such a volatile climate (leading in fact to an armed conflict in summer, 2001). USAID in particular undertook extensive preliminary investigations: given the significant donation, this is not surprising and of course it is at least one USAID—funded project of which the people of the United States can feel proud. All of them required extensive reporting for developed, and different, systems of accounting and audit which did not then exist in the Republic of Macedonia and therefore took up considerable IF resources. In addition, sometimes donor representatives, who were constantly changing under normal diplomatic rotation, sought to influence the academic curriculum in various ways.

It is difficult to balance academic and institutional autonomy, and the university’s own strategy based on market demands and political reality, against the demands of donors, and it is a tribute to the diplomatic skills of the
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first president of the board that, generally speaking, we managed to offend scarcely anybody. As the IF transferred its authority to the joint boards and subsequently to the national structures, and as SEEU grew in stature and recognition, donor influence directly on SEEU has decreased, although scholarship providers wishing to secure value for money sometimes to seek to change practices established for good reason. Instead, generally speaking, the international community takes positive steps to help SEEU to collaborate with institutions outside the country.

(2) Continuous political upheaval and changes in attitudes towards the university

Changing coalition governments had electoral prospects always on their minds so the attitude of the parties to the university initiative varied considerably. Tetovo have had a “private citizens’ initiative” unrecognized university since 1994, closely associated with, and drawing staff and students from, the equally unrecognized Albanian University of Prishtina, the result of the expulsion by the Milosević regime from the University of Prishtina of the Albanian workforce and students in 1991. The stated aim of SEEU was to provide opportunities for students at the unrecognized Tetovo University to enter accredited, quality higher education and then for that initiative to quietly terminate. However the authorities of that initiative were not willing to go so quietly, public opinion was not ready for what was perceived as a u-turn, and campaigning for its “legalization” continued until 2004, when a new State University of Tetovo was created essentially from the old one. While attracting praise from all sections of the community, from the government, parliament, local businesses, members of the public and students, and continuously from the international community, SEEU still receives virtually no-state funding and derives almost all its resources from student fees. Hence the board’s duty to maintain the financial solvency of SEEU is critical and its strategic planning abilities are vital.

(3) The problem of achieving equal treatment of ethnic groups while maintaining the mission to contribute to the provision of higher education in the Albanian language

This has been a difficult process because while on the one hand, SEEU wished to be opened to all, in practice, more than about 25-30% students entering to study in the Macedonian language would, at least in the early days, have caused major political problems. This occupied many hours of debate in the IF subsequently. A major pressure up to about 2003 came from the US embassy and USAID, as already noted, generous donors, which wished the university to move rapidly to increase the use of the English language, perhaps even to the extreme view that no student should graduate unless achieving a high level of English competence, in effect becoming a kind of American institution. No pressure of that kind came from other donors and the strongly European-oriented board members managed to resist this on academic and practical grounds.

SEEU’s board had to balance this pressure against the obvious difficulties in providing professional courses in local disciplines—it was not clear for example why an Albanian speaker who had also to work in the completely different Macedonian language and wished to become a local lawyer should need to devote large parts of her/his study to becoming fluent in a language which (s)he might never use in her/his professional career. SEEU did so by developing the concept of “flexible use of languages” which could be the subject of another discussion! Students are admitted in language groups according to the resources available, principally human resources. For now, suffice it to say that it was possible to steer a middle course which benefitted students of all linguistic abilities while preserving a commitment to help students in internationally marketable fields to learn English (and indeed French). Having a mixed board with a wide range of expertise and interests helped to iron out the problems associated with the adoption of this policy.

(4) Difficulties in effecting a transformation from the “state” mindset to the private/public-private one

Apart from focusing on the reality that, at least after the cessation of the active work of the IF, nothing was
done for us unless we did it ourselves, this relates to the adoption of the “Nolan principles” (originating in the UK) of operation of the board. From the start the strategic planning and development of the university was concentrated in very few people, not all but mostly internationals, who had no political or other connections in Macedonia. Recruiting and training of board members who have a real commitment to the university is not easy, and together with colleagues in other universities in the region (Macedonia, Albania and Bosnia-Herzegovina), we have applied for TEMPUS funds to allow us to move this forward.

(5) Finance

Relying almost entirely on student tuition fees which are higher than those charged at the state universities, somewhat lower than those charged by the for-profit private institutions, means that we have to be highly responsive to the market and spend a considerable amount of time and resources on ensuring quality. SEEU has a highly developed quality management structure, with practical steps taken through staff evaluations, teaching observation, research selectivity, staff development and student involvement to ensure that we remain at the top of the quality league in the region. Somehow or other we have to break away from old ways of thinking relating to the structure and remuneration of the academic profession. Research undertaken by one of our faculties indicates that overcoming the traditional mindset has been one of the key issues facing our graduates entering the world of compulsory education, one that requires continuing support of our alumni through programmes of continuing education, close liaison with employers and so on. Developing new approaches to work, and thus having a more stable and incentive-led remuneration policy, is an essential element of quality enhancement and therefore our appeal to students and their parents. The governing body—the university board—has to take the lead in this.

In addition, the university was founded, planned in all aspects (financial, estates, academic) and opened in a more or less fully functioning form in less than twelve months. A remarkable achievement, and essential in the volatile political climate of 2001, but a number of policies and procedures were introduced, and academic programmes developed, which had to be changed significantly within a year or so of starting operation, since there had been relatively little interaction with the local prospective staff. Significant sums of money were spent on what was with the gift of hindsight, inappropriate procurement, particularly of IT systems, vehicles and ancillary premises. IT was a particular problem, as the IF entered into contracts which had significant recurrent financial consequences, particularly licensing. All of these systems have now been replaced with software developed in house or available free. The moral of this story is that if you have time, take it. Look carefully at the medium term objectives and design systems around them.

5. Conclusion

What have we learned from all which can be applied to other projects? We accept that it is unlikely that something exactly like SEEU will be created in similar circumstances. While the experience of SEEU has been debated as a potential solution to the otherwise segregated higher education in Kosovo, and as identified by OECD, EUA, OSCE and others as a “model” at least for the region if not for the wider world, the political circumstances are dissimilar. So we concentrate here on what works well and how others might learn from our experience. We think that it is important for potential donors, e.g. USAID to learn from positive experiences and to appreciate the constraints under which projects operate.

Firstly, it is important to have the right leadership. In our case the first four years of our development were led by a highly experienced and influential diplomat. He directed the transition from the project to the present
structure, skillfully deflecting irrelevancies and refusing to be side-tracked. He was supported by an experienced former rector of a Swiss university who subsequently made a major contribution in the area of organization and financial control. Their joint legacy leaves an institution with strong international and national support, well-managed and financially viable. A transition to a fully locally sustainable structure is envisaged over the next four years or so, but the international input remains important to us.

Secondly, it is important to move as quickly as possible to a governance structure reflecting the structure proposed in the Council of Europe report so far as consistent with the laws of the country. In this respect also, SEEU provides a model for the region, albeit it is not quite so strictly circumscribed by domestic law as the state institutions, but there is still much to be done on training and developing members of the governing board so that they are less reliant on foreign expertise. However, the developed structures are of interest for all countries in transition and for institutions which are considering changes in their forms of governance, particularly where there is private-public interaction. We have concluded that a step by step development of different forms of governance over a period of time, involving at all stages relevant stakeholders (donors, staff, students) alongside changing external environments, has enabled us to devise a system meeting modern standards and fit for purpose.

Finally, do not be thrown off course by short-term perturbations in the local political and social climate. Stick with the mission: naturally, if circumstances dictate a change in direction, follow the trends, but establish a clear strategic planning framework within which changes can be effected in a sensible way. This is probably the most difficult area to manage. It requires a combination of a consultative, collegial approach and strong management.

(Edited by Max and Lily)