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Working Group 4: Developing institutional capacity to attract and effectively use diverse sources of funding

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The University is no longer a quiet place to teach and do scholarly work at a measured pace and contemplate the universe as in centuries past. It is a big, complex, demanding, competitive business requiring large-scale ongoing investment¹.

Around the world higher education is under pressure to change. It is growing fast and its contribution to economic success is seen as vital. The universities and other institutions are expected to create knowledge; to improve equity; and to respond to student needs – and to do so more efficiently. They are increasingly competing for students, research funds and academic staff – both with the private sector and internationally.

In this more complex environment new approaches to governance in OECD countries combine the authority of the State and the power of markets in new ways. Institutions are gaining greater freedom to run their own affairs. Public funds are allocated in “lump-sum” form, and funding from students and business is increasingly encouraged. In exchange for autonomy, governments seek to hold institutions to account, linking funding to performance and publicly assessing quality.

Such changes can create tensions. As higher education has grown, and other pressures have constrained state funding, the financial sustainability of universities and other institutions of higher education has become an issue for policy makers, and for those who govern and manage these institutions. Higher education institutions are having to work hard to meet funding and regulatory criteria and at the same time to strengthen their market position.

Higher education institutions need to develop a creative balance between academic mission and executive capacity; and between financial viability and traditional values. The challenge for institutions is to manage a more complex portfolio of aims and funding; to differentiate themselves in an increasingly competitive environment; and to protect and maintain academic quality and their ability to deliver over the long term.

This requires attention to be paid to the quality of institutional governance and leadership, and the adoption of some of the strategic financial management skills seen in the commercial sector. It means a new emphasis on institutional strategy, and a shift in power away from individual departments. In some OECD countries external members sit on governing bodies formerly dominated by academic interests. Senior managers are selected for their leadership skills as well as for their academic prowess, and management is increasingly professionalized.

References:

“Changing patterns on governance in higher education” OECD Education Policy Analysis 2003, chapter 3
“On the edge: securing a sustainable future for higher education” OECD/IMHE (forthcoming)

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1. The University Challenged – A Review of International Trends and Issues with Particular Reference to Ireland by Malcolm Skilbeck