

THE ACADEMIC CAPITALISM AND THE NEW BUSINESS MODEL OF THE UNIVERSITIES

Venelin Terziev¹ and Margarita Bogdanova²

¹Full Member of the Russian Academy of Natural History, Professor, Eng., D.Sc. (National Security), D.Sc. (Economics), D.Sc. (Social Activities), Ph.D., Russian Academy of Natural History, Moscow, Russia, Vasil Levski National Military University, Veliko Tarnovo, Bulgaria University of Rousse, Rousse, Bulgaria, terziev@skmat.com

²Professor, Ph.D., Tsenov Academy of Economics – Svishtov, Bulgaria, m.bogdanova@uni-svishtov.bg

Abstract

The report examines the phenomenon of academic capitalism and the potential consequences of its spread, and the capacity of universities to meet the challenges of entrepreneurship as an organizational management model. Special emphasis is placed on the differentiated effect on universities, depending on the area in which they conduct teaching and research, as well as on the peculiarities of the university business model in the changing environment of the higher education schools.

Keywords: academic capitalism, university business model, universities.

1. INTRODUCTION

The change of the management business model has been widely discussed in the recent years – the one of the country as well as that of single structures, sectors and organizations. This is a serious intervention for each of these levels as far as it requires a strategic transformation to be made.

Universities are among the institutions, for which the business model transformation (or its establishing) becomes more and more urgent.

At first glance, the university business model sounds as oxymoron as far as for many civilians the universities, at least the state ones, are not place for making business. This view, however, is far old. By the legislation changes, where the state universities financing was changed, they should solve all economic tasks that a business organization has in front of it – to ensure revenues, to optimize expenses, to be attractive for the new services' users, to have good reputation, to invest in the key factors for success (quality lecturers and research-workers, modern equipment), etc.

The reasons for the business model change are mainly connected with dynamic changes of the external environment, which haven't started just yesterday and which do not concern only Bulgaria, but are not still realized fully by the interested parties. In some cases, extensive analyses are made but the undertaken measures (at least in our country), do not give enough results.

The goal of the present publication is to study the phenomenon academic capitalism and the potential consequences of its distribution as well as the universities' possibilities to meet the challenges of entrepreneurship by establishing organization (business) management model that is adequate to their environment.

2. ROLE OF THE UNIVERSITIES

Universities are one of the oldest organization structures in the world history. Yet since 1088 with the Bologna University establishing, they develop as academic centres with relative autonomy of teaching and have entirely democratic nature. Several models of universities' structure and management form gradually in the course of years.

The German model, known also as Humboldt, is characterized by freedom of students (*Lernfreiheit*) and university autonomy (Kern). The education develops on the basis of science fundamental laws and is of the "student-centered" type. The German model has had quite an influence on the establishment of the higher schools in Bulgaria and in other countries from Central, Eastern and Northern Europe (Anderson, 2004).

The French model repeats some of the German universities' elements but is refracted through the republicans' ideology (Rüegg, 2004c). The French system is characterized by much more serious control and rules of the curricula's elaboration. It is far more centralized and connected with certain restrictions of freedom, including in the field of scientific research (Anderson, 2004).

At present, there are about 10 000 universities existing around the world. The Universities Worldwide data base ensures link to 9 617 higher schools in 207 countries (Universities Worldwide, 2016; 2019a). Many of them are organized after the Western model, i.e. realize education and research in favour of the society. However, in the recent years, they are viewed not only as centres for the development of science, culture and freedom of speech. Universities are already called upon playing a new role. They become key factor for economic growth and basic element in the triangle of knowledge (OECD, 1996; Olssen, Peters, 2005). They are indicator for national and local development (Gospodinov, 2012), one of the elements if the "triple helix" that includes the system „university – business – government" (Etzkowitz, 2000; Etzkowitz, Leydesdorff, 1998). In order to perform their new role, they should reform by creating, promoting and giving various types of results from scientific researches, educational programmes and services for their traditional and new users (Bogdanova, 2016a; Parashkevova, 2012a).

At the same time, higher schools are put in the conditions of permanent lack of financing for education and for scientific research, especially after the world economic crisis, when a lot of countries reduced their budgets for higher education. This intensifies extremely the competition among them and forces them to transform their traditional management models. Teaching and science in their former shape are not enough any more. They should be, before all, oriented towards business's benefits and at the same time, to generate additional revenues for financing educational and scientific projects. This radically changes academic institutions' economics and philosophy and brings them closer to corporate structures and management models. The era of "academic capitalism" occurs, where market becomes leading factor for higher schools' competitiveness (Slaughter, Leslie, 1997).

3. ACADEMIC CAPITALISM – WHAT IS IT?

The term „academic capitalism" is defined as „market behaviour of part of the universities and teachers" (Slaughter, Leslie, 1997). Market behaviour, because activities aimed at profit are conducted and the institutions, and even the single teachers compete with each other for access to resources.

Academic capitalism is also an oxymoron as far as it combines to contradicting each other terms. While the academic idea is associated with freedom of choice, capitalism is connected with activities that bring profit. The leading motives in both term's parts are completely different. Nevertheless, the term describes sufficiently exactly the current situation of bigger and bigger influence of business ideas upon the management and mainly upon the results of universities' and colleges' activity. Said in other words, universities are „free" only within certain limits, determined by the market demand. They can produce education and research products, but only such that are close to the market. In such an environment, „students become users, colleges turn into suppliers, researches commercialize in applied fields ... and higher schools become enterprising institutions" (Chait, 2002).

The examples of various forms and manifestation of academic capitalism are many (Bullard):

- Administrative services outsourcing extends.
- Increasing number of part-time enrolled teachers is observed.
- Flexible models for internal financing are applied.
- The academic standard in education change.
- The connections with business increase, while at the same time education subjects and programmes that

are not market oriented, are eliminated. In this regard, the changes in the curricula are determined by the market, not academically determined.

- Internal and external competitions for grants for researches, training, consulting, courses elaboration and others increases.
- Spin-off or other forms of entrepreneurial alliances are established in some universities with the participation of the universities themselves – for example, for selling goods with the university logo and sports accessories, for realizing students' entrepreneurial ideas with the participation of teachers, etc.
- The so called students' consumerism increases. The term is introduced by David Riesman (Riesman, 1980) yet in the 80s of the 20th century, when the universities in the USA face for the first time the increasing competition and changed rules for the demand of education services, and the students-consumers and their needs and wishes become main motor in the higher education's economics. Today, students assess far more critically the entire range of services yet entering the university, even at the stage of applying. They have at their disposal many more alternatives for choosing higher schools that offer close in value educational services. Thus the students become one of the strongest and most authorized interested parties and exercise powerful influence upon the development of the sector „Higher education” in many countries.

Great part of the listed above forms of manifestation of academic capitalism are already observed in Bulgaria, too. This especially concerns the competition for subsidies for training, regarding the grant financing, the curricula changes, etc. Number of universities announced in public their problems regarding the lack of financing. In this sense, academic capitalism penetrates in Bulgaria. It is matter of time for the process to unfold in a greater depth and to impose its impact upon the participants in the sector „Higher education”. It would be good we to be prepared for that and to know what are the threats and possibilities before us more precisely.

4. ORGANIZATION CHANGES IN THE HIGHER SCHOOLS

According to Slaughter and Leslie, the academic capitalism re-structures higher education and promotes essential organization changes in the higher schools (Slaughter, Leslie, 1997). They pay much bigger attention to the internal resources distribution, to the departments' organization, the personnel is differentiated according to whether it teaches or makes research. The number of the taught subjects reduces. The teachers become „academic capitalists”, who have enterprising behaviour. They deal with agreeing contracts; defend patents, intellectual rights, establish and participate in spin-off companies that generate revenues, etc.

The turning of a university into entrepreneurial one depends to a higher degree on at least two groups of factors:

The first is the field of higher education it is specialized and ensures educational services in. Higher schools of arts or connected with social studies for example, would difficultly undertake any measures for commercialization and connection with the business. At the same time, the researches they realize are not of less importance for the social development, but not so much and not always in entrepreneurial context.

As Young states, „these scientists, who make politically unpopular projects in humanitarian and social studies, could turn in a more and more vulnerable position as far as the funds for research are distributed after new criteria” (Young, 2005).

The second factor on which a higher school's commercial success depend on, is the local economy and entrepreneurial activity at local and regional level.

As old organization structures, universities have originated in the course of years and have found place under various factors' influence, some of which have already drastically changed. The geographic localization of whole industries and the profile of number of regions are changing. As a result of that, universities are not always closely related to the local business's needs – regarding trained cadres as well as scientific researches and innovations. This draws academic institutions away from the local needs and makes them autonomous player as supplier of educational, research and consulting services. In certain situations, universities can be even supplier of services of global nature and not so much of local or regional one.

Deana Bullard makes a survey on the attitude and behaviour of academic teachers in the field of social studies in regard to the academic capitalism and its influence on the universities' future. The research is held in three universities in Florida, the USA, with 37 teachers in Sociology, Criminology and Economics. The research method is semi-structured interviews, held in the period March – July, 2006. The results show the academic capitalism among social studies is accepted rather as possibility for grant financing and excludes

technological transfer or elaboration of patents. However, grant financing is sporadic and of marginal significance. Academic capitalism for the social studies is rather market of ideas directed towards positive social change not economic return. Entrepreneurship among teachers and researchers from the social studies is slightly expressed. The management models of faculties in social studies hardly change.

Despite that, the research respondents feel proud on their role of traditional academic teachers. They are motivated to work for the causes chosen by them despite the fact they are not so highly paid like their colleagues from the engineering studies, medicine, etc.

The more serious conclusion is that academic capitalism does not substitute traditional academic culture although the theory for the dependency on resources remains key one for the university management models.

As a whole, academic capitalism is a phenomenon that distributes unevenly among the universities. If in some it becomes main source of revenues and even creates employment, among others, it is a peripheral source of funds and does not impose significant organizational and functional changes. In this sense, it is not universal and its effects are to be prognosticated and managed differentiated (Bogdanova, 2016a; Bogdanova, 2019).

5. HOW THE UNIVERSITIES TO ANSWER THE CHALLENGE?

Slaughter and Leslie suggest three ways for preserving universities' professional at the face of academic capitalism (Slaughter, Leslie, 1997):

- To provoke and engage university's personnel – academic and non-academic, with the changes in the environment, with the imposing models and with the trends and future perspectives of higher education as a whole.
- To derive the best of academic capitalism, i.e. to conduct measures for using all favourable opportunities.
- The university to strive for grant financing not on the grounds of the scientific field but of the number of the students in the university, i.e. to try to influence the government's decisions about the ways and size of financing.

In a wider scope, number of authors reviews the issue about the transformation of public sector organizations through the prism of the new public management (Jan-Erik, 2000a; Scott, 2003). The idea is standards of the business sector to be introduced in the academic institutions management and thus their effectiveness to be improved. Not few are the opponents of the idea. Frølich considers that the academic institutions values differ drastically from the ones of the business organizations, where conflict among some different cultures arises and respectively, it creates strong attitude of resistance in the universities (Frølich, 2004a).

In this sense, the more reasonable approach is connected with limited and careful applying of mechanisms and stimulate of market nature only regarding some university activities. The analysis could be made on the grounds of the business model theory (Osterwalder, 2004b), where to look for the organizational and marketing innovations that would be efficient and would improve the organization activity's results, without getting into conflict with the academic values in the Humboldt sense of the term.

A short description of the possible directions for innovations in the university business model are presented in Fig. 1.

Each university can specify its individual, characteristic elements for the business model parts and on the grounds of the potential missed connections, to elaborate and realize development strategy with particular programmes and measures.

In this case, the authors apply a holistic model and systematic approach for describing wide range of possibilities necessary for universities' innovation. The example is made of economic universities / faculties in Bulgaria. It is possible for the model's parameters to be completely different for higher schools from different fields.

For example, the segment „candidate students from foreign countries” requires elaboration of curricula for studying foreign language in the certain specialties, selection of channel for communication with the potential users, selection of way for connection with the clients, forming prices and fees, including ways of payment, improvement of the academic personnel qualification for teaching in the relevant language or application of platforms for training, equipping training halls, concluding partnerships with secondary schools or with mediators, who ensure connection with communities from the relevant country, etc. Not last, it is necessary to define the necessary expenses for the realization of these training programmes /curricula/.

<p>Key partners</p> <ul style="list-style-type: none"> • With universities from the country and abroad • With secondary schools • With representative of business and/or the public sector – for short-term projects as well as for strategic, sustainable partnerships 	<p>Key activities</p> <ul style="list-style-type: none"> • Solving problems (training and scientific researches, innovations) • Platforms for training (when mass distant form of training) 	<p>Offered value</p> <ul style="list-style-type: none"> • Bachelor, master, doctor training programmes, offered in Bulgarian/foreign language • Programmes for vocational training and for validating a profession • Programmes for continuing training – specializations, pre-qualification courses • Scientific research products and services – ideas for innovations, patents, etc. 	<p>Relations with clients</p> <ul style="list-style-type: none"> • Direct – personal support of the students • Students community • Joint work with the students • Personal direct relation with companies – in consulting and research activities • Joint work with companies (researches) 	<p>Users segments</p> <ul style="list-style-type: none"> • Candidate students from the country • Candidate students from other countries • Post-graduate students trained in short-term and medium-term courses • Civilians • Public authorities, local interested parties, national and international contractors • The government – as user of a service that satisfies high social interest • Companies – in training employees and as users of research, consulting and other products and services
<p>Structure of expenses</p> <ul style="list-style-type: none"> • High quality (and highly paid) academic personnel • Laboratories and scientific research equipment 		<p>Cash streams</p> <ul style="list-style-type: none"> • Single (from the budget) • Consecutive payments (from student tuition fees) • Fixed prices • From consulting services and scientific research projects 		

Figure 1. Basic elements in the university business model, exemplary elements. Source: Adapted by the authors after the model of Alexander Osterwalder (2004). The Business Model Ontology - A Proposition In A Design Science Approach. PhD thesis University of Lausanne.

The possibilities are even more, when the scientific research functions of the university as source of innovations and ideas for solving business and public sectors problems are studied.

The administrative activities in the universities increase, connected with search of financing sources, search for partners, elaboration of projects, work on procurements and others leads to the necessity the engagements declared in the teachers' job descriptions to be given a new meaning and to include new ones. The „plain” teaching and scientific research work gives place and a wider space and necessity is opening for executing others, not typical to now functions.

This also changes radically the requirements for the teachers' competencies. Beside the classic skills as academic writing and ideas representation, development of concepts, elaboration of training materials, facilitating, passion for science, connecting theory and practice, they are more and more often made to maintain extensive network of contacts not only with partners from similar academic staff but also with representatives of business and the public sector. Teachers should be good consultants, to have good diagnostic competence, to work in team, to manage projects, to successfully lead negotiations, to have tendency to take risks, to make decisions, to be rational, to be creative in pragmatic aspect, etc.

That's why one of the steps that is to be undertaken, is connected with the training of researchers, and in a

wider aspect also with elaborating a complete programme with measures for organization culture change directed towards environment for stimulating entrepreneurial initiatives.

And last but not least the issue of integrity of the business model separate parts stands. For example, the equipment (the technologies) is to be operationally compatible and to correspond to the higher schools' strategic scientific programme. And this, in its turn, is connected to the cash flows, the key partners, etc. (in the expenses part), but on the other hand, has potential to bring the university added value.

As a whole, namely the integrity is what makes the model working one. That is why (Osterwalder, Pigneur) further develop their idea by elaborating number of versions of the business model.

Google business model is presented at Fig. 2. It is chosen as far as it gives an idea for a business, where the original business model is modified. As seen, some of the boxes are united as far as they have no value in the model. Google itself is a big network of key partners so in this part (for now), obviously, there is nothing to be over built.

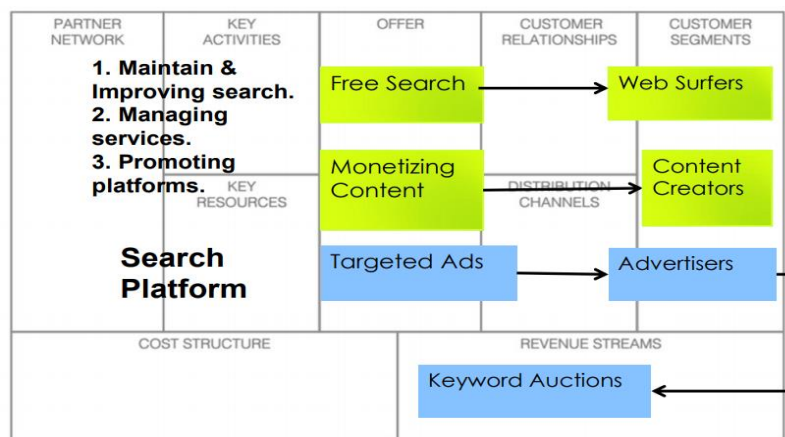


Figure 2. Google business model.

Source: <https://web.wlu.ca/sbe/bu111/cm/files/www/1.2 - Business Models.pdf>.

The models of the companies for crowd-sourcing, crowd-funding, sharing economy are also important for the universities and are able to contribute with new ideas for how to build the most successful business model as far as the fund raising is one of the key activities in the universities, and the peer-to-peer sharing is basic principle in scientific researches evaluation.

6. CONCLUSION

In the conditions of missing state interventions and of universities' insufficient capacity to reform, a real danger of serious damages to be imposed on higher education exists, and its long years image to be damaged, and even change of the cultural role that universities play in the society progress. However, the emerged negative trends in the way of financing, in combination with other factors such as depopulation, especially for countries like Bulgaria, put higher schools more and more in circumstances they to look for alternative forms for revenues and for their expenses re-structuring. Even if they do not adopt the academic capitalism philosophy, it slowly and certainly penetrates as way of behaviour of all players in the sector „Higher education“. Single universities enriched their portfolio with programmes, in the search for greater tuition attractiveness, extend and mostly extend their cooperation with representatives of business and the public sector when this is possible. Great part of them act „blindly“ in the process of this transition as far as they do not feel prepared for the transformation. The same regards the single teachers. The ones, who have entrepreneurial attitude, succeed to realize their assets the best way. The rest are more and more pushed aside through various financial and non-financial tools. In its greater part, business does not realize the significance of the transformation in higher education and omits benefits from this cognitive lack. Governments try to master the process and to direct and stimulate it but, at least in Bulgaria, this happens slowly, in the conditions of non-transparent and cumbersome procedures, with unprepared participants.

Perhaps most of the universities in Bulgaria have no developed business model but even if this is so – they have one of some kind. It is important the elements to be given meaning to as well as the relations among them and what is to be changed.

There is real danger the measures at macro- as well as at micro-level to be late and the processes to flow in a bigger chaos, where the output would be hardly favourable for the interested parties.

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