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**CONCEPTUAL BASES
FOR STRATEGIC
MANAGEMENT OF
INSTITUTIONS OF
HIGHER EDUCATION**

The system of higher education, being a subsystem of social reproduction, represents an ordered set of economic relations in the field of production, exchange and consumption of educational services in market conditions. The modernization of higher education becomes next stage of its reform, the purpose of which is to create a mechanism for the sustainable development of the education system in the conditions of the environmental variability (in particular, the social sphere).

The problem of strategic management in institutions of higher education is studied in the writings of Ukrainian and foreign authors, among whom I.G. Akhmetov [1], O. P. Belan [2], O. B. Vretennikov [3], O. O. Grudzinsky, E. Yu. Gorbunov, A.P. Egorshin, T.N. Zhukov, N.V. Kozlovskikh [4], I.V. Kolchyk, L. V. Konovalov, D. P. Norton, J. Cotter , P. Lawrence, J. Lorsch, G. Mintzberg, M. Porter, A. J. Strickland, G. Hamel , etc.

The authors' opinions vary concerning the issues what the strategic management of an institution of higher education is.

Therefore, for example, I.G. Akhmetov argues that “strategic management is a key element of the management system of the institution of higher education, without which tactical and operational levels virtually lose their meaning” [1].

O. P. Belan interprets this concept as the following “strategic management of an institution of higher education is a process that determines the sequence of actions for the development and implementation of the strategy: strategic planning; strategic organization of the system in accordance with the chosen strategy; strategic control and regulation” [2].

O.B. Veretennikova as well as O.P. Belan is of the opinion that strategic management is “a process that links strategic planning and

decision-making with the daily process of current operational guidance” [3].

More broadly, the notion of strategic management of an institution of higher education is presented in the work of N.V. Kozlovsky. The scientist is of the opinion that “strategic management is a dynamic set of five interrelated management processes: environmental analysis; definition of mission and goals; election strategy; implementation of the strategy; assessment and control of strategy implementation. These processes are interconnected and have a stable feedback” [4].

Recently, the importance of strategic management of an institution of higher education has increased significantly. As noted above, this concept can be interpreted in different ways, summing up, it should be noted that the strategic management of the IHE is a system of management decisions that are designed to ensure the free functioning of the IHE in a market environment. At the same time, it is important that strategic management enables the institution of higher education to adapt or counteract certain factors that influence the development of IHE and its competitiveness.

Strategic management is carried out over three main phases: strategic analysis, strategic choice (strategic planning itself), and strategy implementation (Figure 2.1).

Strategic analysis. To implement it, an effective information system is needed to provide data for analysis of past, current and future situations. Qualitatively conducted diagnostics of the strengths and weaknesses of the institution of higher education provides a real assessment of its resources and capabilities and is the basis for the strategy development. Along with the analysis of the internal environment, it is also necessary to study the external environment.

Studying the basic conditions in which an organization should work, various methods are used in strategic management. The most popular and most widespread approach is related to the SWOT analysis.

According to E. Knyazev and K. Taverny [6], there is a real possibility within the framework of SWOT-analysis to assess the activity of the institution of higher education and its environment in the terminology of the business world. An institution of higher education produces its own product, owns certain resources, competes in a certain market (market of educational services) and occupies a certain part of it (segment); it has a kind of production process, it is connected with its customers and consumers, and so on.

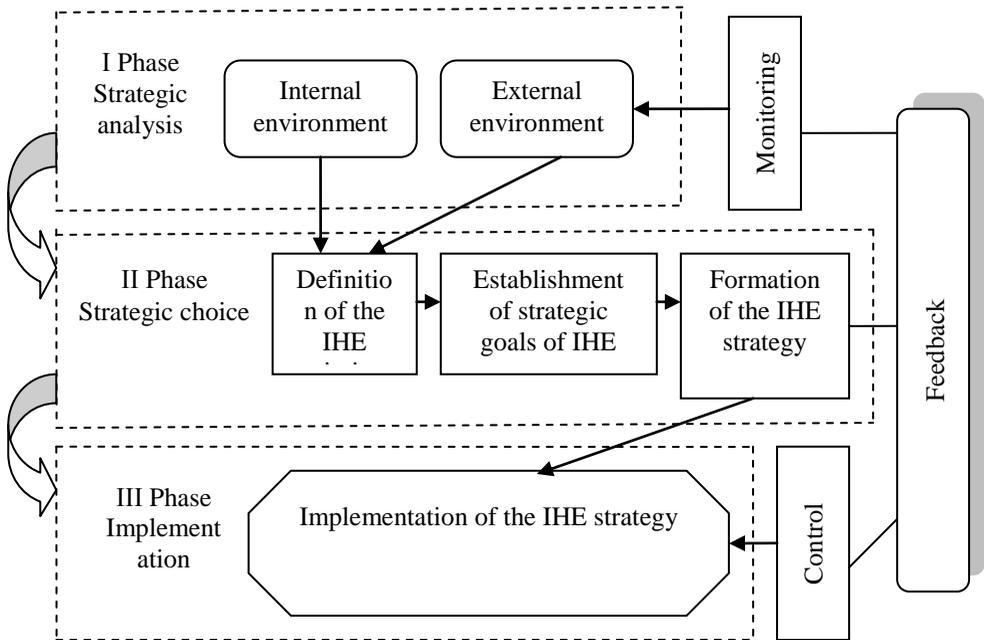


Figure 2.1 The scheme of the strategic management process at an institution of higher education

Source: improved by the authors according to [5]

A large number of factors, the effect of which is sometimes difficult and even impossible to predict and forecast, influences the development level of the IHE. In view of this, there is a need to systematize factors by dividing them into those that will contribute to the development of IHE (that is, they are actually opportunities), and those that lead to development inhibition (that is, threats), as well as identify the weaknesses and strengths typical of national higher education.

For the SWOT analysis of the higher education system, it is necessary to identify the main groups of factors of the external and internal environment influenced by the industry and in order to increase the effectiveness of the educational activities of the IHE (Figure 2.2).

The factors of the internal environment are a set of variables located in the field of IHE activities and direct influence from its management. Directly the factors of the internal environment can be divided into economic and social.

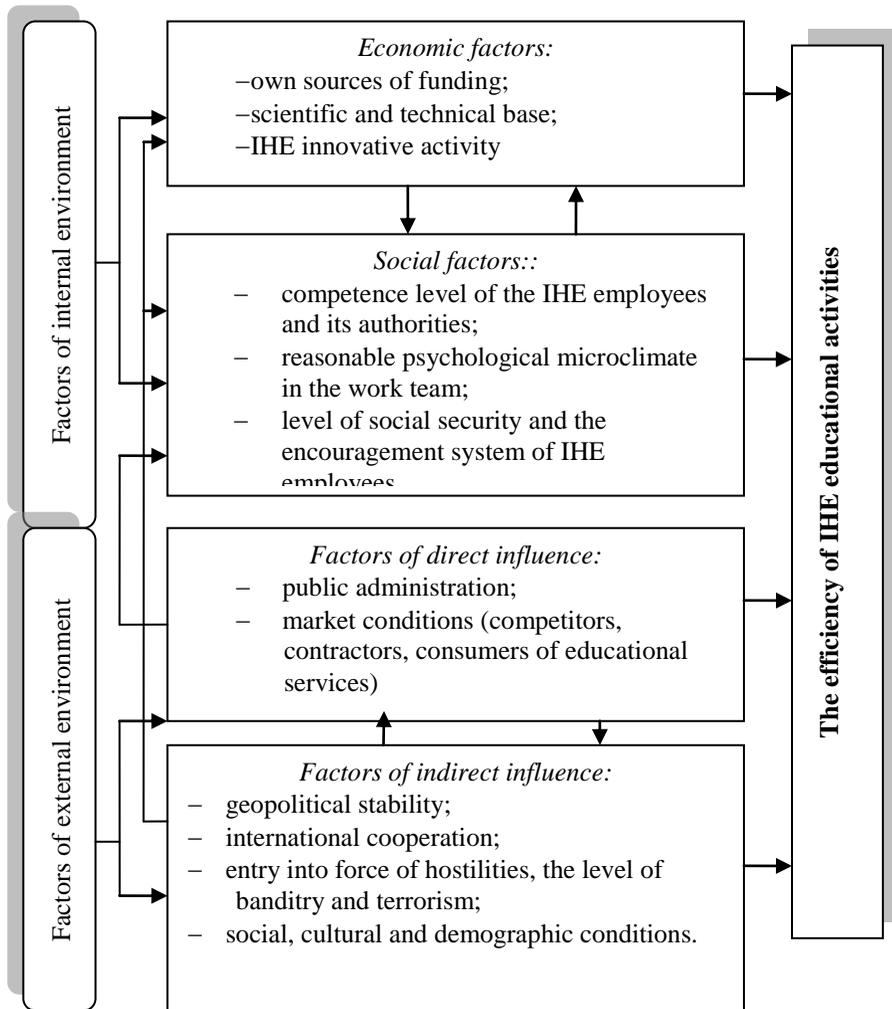


Figure 2.2 Influence of factors of internal and external environment on the economic efficiency of IHE educational activity

Source: developed by the authors on the data [7]

The basis for determining the economic factors of the internal environment is the availability of the IHE economic potential. A set of resources and capabilities of IHE should be taken into account under the economic potential. These resources and capabilities determine the prospects of its activities under certain conditions.

In our opinion, one of the most important factors is the availability of IHE own sources of financing technical development; availability of material and technical and scientific and technical base; application of modern technologies. This will allow, firstly, to keep up with competitors and to keep pace with the ongoing changes in the educational services market; and secondly, to attract new entrants even from the number of foreigners. These factors do not play a role if there is no match between managerial decisions and economic laws of the development of IHE and the strategic positioning of its services in the market. They are a reflection of what the IHE seeks in its endeavors, what it seeks to achieve, what challenges it sets.

As for the social factors of the internal environment, the microclimate and the level of social security of the collective staff management serve as the basis for their identification. Therefore, among the social factors of the internal environment, the following should be considered: the level of the IHE authorities 'competence, its academic staff (AS) and other categories of personnel. It also includes creation of a system of social support for AS and other categories of personnel; availability of incentive system and staffing; ensuring the possibility of self-realization of AS; reasonable psychological microclimate in the work team.

The academic staff of the institution of higher education is a key element of the higher education system, which defines all other its components of resources, first of all, the quality of research and the efficiency of educational activities. Human resource support in the modern conditions is a factor in increasing the competitiveness of institutions of higher education.

Nowadays, the human resources formation, which meets the requirements of the innovative character of the modern economy, plays a leading role. The problem lies not only in the level of vocational education, the training of qualified specialists and scientists, but also in changing their own image of these personnel, which is primarily motivated by innovative development, initiative, self-education [8].

Unfavorable factors in reducing the IHE resource supply (namely, personnel) include:

- the outflow of the most qualified teachers from the field of science and education to other sectors of the economy due to an inadequate financial evaluation of their work and, consequently, worsening living conditions;
- unwillingness of young specialists to receive postgraduate

education and continue their professional activities as teachers of IHE, which leads to the "aging" of the academic staff of IHE;

- a large percentage of academic staff working under conditions of incomplete employment;
- high level of teacher mobility, which is evidence of their orientation not to employment, but to economic incentives related to survival;
- significant overload by training sessions.

It is worth noting that not only the quantitative indicators of staffing, but also its qualitative characteristics change.

The number of academic staff for the analyzed period (2010-2017) tends to decrease. The number of both full-time and freelance academic staff of all accreditation levels is decreasing.

The dynamics of the number of academic staff of institutions of higher education of the I-IV accreditation levels by years is presented in Figure 2.3.

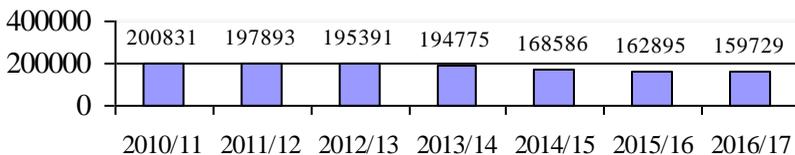


Figure 2.3 Dynamics of the number of IHE academic staff of I-IV accreditation level of Ukraine

Source: built according to the data [9]

The dynamics of the number of teachers having a Doctorate and Candidate Degree, as well as an academic title of associate professor or professor, that is, the quality indicators of academic staff of the I-IV accreditation level by year is shown in Figure 2.4.

According to the data shown in Figure 2.4 undulate tendencies are seen in the dynamics of the IHE academic staff number of I-IV accreditation levels with a degree and academic status. The decrease in the indicators may be due to a decrease in the number of education institutions of all accreditation levels during this period in Ukraine.

With regard to environmental factors, they all belong to a set of factors outside the IHE control and which should be taken into account when assessing the level of economic efficiency of its educational activities. Such factors include public authorities (including local government), their resolutions, laws, etc.; partners and partnerships (including international ones); activity of competitors in the market of

educational services.

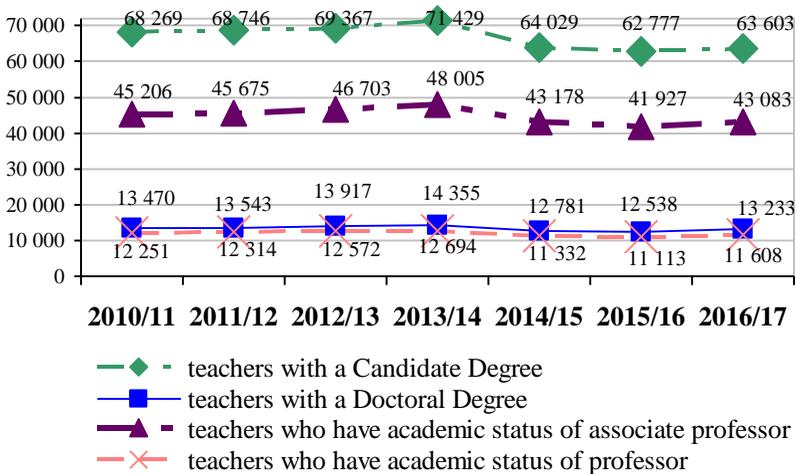


Figure 2.4 Dynamics of qualitative indicators of IHE academic staff of I-IV accreditation level

Source: constructed according to the data [9]

In addition to the fact that the environmental factors affect the IHE, they also have an impact on each other. Today’s conditions dictate the need to expand the range of spheres of external influence. If earlier the focus was mainly on economic and technical circumstances, now this set is complemented by social values, an analysis of the sphere of political and legal responsibility.

One of the most important factors influencing the changing environment is the reduction of almost all types of resources: reducing the number of entrants; contraction and aging of academic staff; reduction in funding. All this leads to an intensification of competition in the educational services market due to limited resources and the need to develop more effective methods of managing the institution of higher education. The basis of the sustainable competitive advantages of the modern IHE is the relationship with the stakeholders (consumers of educational services and other products providing IHE, the labor market, suppliers of other resources that provide access to the best resources).

The governments of European countries understand the need for education and human capital development, and therefore spend significant amounts of public funds on support of national educational programs, provide tax incentives to those involved in the process of

organizing educational activities and research. Very often, funding for higher education abroad is carried out through the support of students (individual grants, personal scholarships, concessional loans, etc.), that is indirect method [10, p. 142].

In developed countries, the share of public funding for higher education varies. Thus, in Canada it is 70-85%, Holland 90%, Germany 95%, and Great Britain 62%. At the same time, the share of tuition fees in the structure of the budget of institutions of higher education in all these countries is much lower than we have. For example, in England, tuition fees make up 12%, in Canada – 11%, while students from the Netherlands, Germany, Finland, Sweden do not pay for education at all. In New Zealand, universities are funded by 96% by the government, and 4% are revenues from tuition fees [11, p.59].

According to the Law of Ukraine “On Education” [12, art. 61, clause 2], the state must provide budgetary allocations for education of not less than ten percent of national income, as well as currency allocations for main activity. But due to the mechanism imperfection for planning budget expenditures and the budget deficit existence nowadays, educational expenditures, as well as cultural and social expenditures, are often financed by the “residual principle”, that is, funds for covering these expenditures are allocated in the last turn and in the amounts that “remained” after covering other necessary public expenditures.

According to the experts, world spending on higher education reaches \$ 300 billion, which in turn is 1% of world GDP. As for the share of expenditures on higher education in % of GDP in Ukraine, this indicator in the analyzed period (2010-2016) is in the range from 2.3-1.3% (Figure 2.5).

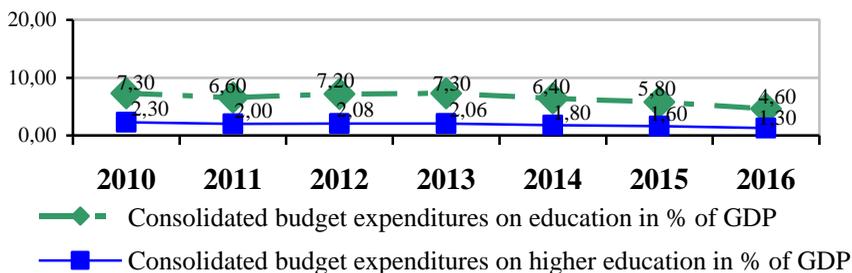


Figure 2.5 The dynamics of expenditures on education in general, and on higher education in particular, in % of GDP

Source: built by the authors according to [9]

The dynamics of the share of expenditures on higher education in the total amount of all expenditures on education is also characterized by a gradual decrease, since from 31.3% in 2010 it decreases to 28% in 2016, and in 2015 the indicator of rates is only 27.1%.

The legal basis provides the grounds for the IHE to attract additional resources from their own economic activities and contractual academic and scientific work. The existence of such a right of state institutions of higher education along with private ones is crucial in attracting additional resources into educational activities and creates the necessary opportunities for ensuring free competition in the educational services market, which positively affects the quality of their provision.

Special funds and funds received from additional sources, including tuition fees for commercial property, and other proceeds, are not subject to seizure and remain at the disposal of the institution that earned them. These funds are spent on the organization of the educational process, the implementation of research work, retraining of staff, business activities, etc. In addition, institutions of higher education and research institutions have the right to conduct foreign economic activities on the basis of agreements with foreign legal entities and individuals and to have foreign exchange earnings.

With regard to institutional factors of political influence, among them it is worthwhile to highlight the geopolitical situation, international relations, and the political situation. At present, there is a very significant factor that affects not only the activities of institutions of higher education, but also other sectors of the economy of Ukraine, the conduct of hostilities in the East of our country.

As the recent research shows, Ukraine is accelerating its integration into the European Union, joining the economic, political, legal and scientific community, as well as creating the preconditions for EU membership. In this regard, modern education should focus on the innovative economy, human development, and the requirements of the international labor market.

When considering the factors affecting the effectiveness of educational activities, one should not forget about market factors. They affect the existence of stable relationships with partners: suppliers, consumers of educational services and other contractors. No IHE can exist in isolation from the outside world, it needs reliable connections, through which it not only can provide educational and economic process, but also position itself in a real business environment.

In order to overcome the weaknesses and increase the effectiveness

of educational activities, the IHE must use all available opportunities. Realization of possibilities will allow to reduce or even to neutralize most of the threats facing the modern manufacturers of educational services. However, the main threats to IHE are budget cuts and changes in legislation on higher education, military service and demography. On the above factors, the institution of higher education is not able to influence. Their negative influence can be reduced or replaced by a stronger positive effect of the realized opportunity.

Thus, strategic analysis is one of the most important stages in the strategic management of the IHE economic efficiency when developing an effective strategy, and provides a real assessment of its own resources and capabilities, as well as a deep understanding of the external competitive environment.

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