

REPORT ON
KAZAN STATE UNIVERSITY
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JUNE 7-11, 1999

SALZBURG SEMINAR

**UNIVERSITIES PROJECT
VISITING ADVISORS PROGRAM**

The Universities Project of the Salzburg Seminar
Kazan State University Report
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Introduction

The following individuals had the opportunity to participate in the Visiting Advisors Program of the Salzburg Seminar sponsored by the Kellogg Foundation: Dr. Anthony W. Morgan, Professor of Educational Leadership and Policy and former Vice President for Budget and Planning at the University of Utah, USA. Team Leader; Dr. Paul Brinkman, Associate Vice President for Budgeting and Planning and Adjunct Professor at the University of Utah, USA; Marlene Johnson, Executive Director, NAFSA: Association of International Educators, and former Lt. Governor, State of Minnesota, USA; Colin Guard, Program Assistant, Salzburg Seminar; and Dr. Karel Tavernier, General Administrator, Catholic University of Leuven, Belgium.

In the course of five days as guests of Kazan State University (KSU), the visiting team learned a great deal about the institution, both historically and in its present context. From informative materials provided in advance, and from productive meetings on site, the advisors gained an appreciation of KSU's long tradition of excellence in teaching and research, and of the financial difficulties which make that tradition difficult to uphold. In the face these difficulties and a very uncertain environment, KSU's leadership has made impressive progress toward the concept and practice of strategic management. This effort is to be applauded, and our visiting advisor team wishes to share some elements of our experiences that may be helpful toward this end.

We are indebted to the excellent hosting and arrangements provided by our colleagues at Kazan State University and to their cooperation and openness in discussing difficult issues with us. We recognize that our visit allowed only a glimpse of very complex matters. We therefore acknowledge the limits of our knowledge of programs, processes and circumstances. But we were fortunate that one of our team, Professor Karel Tavernier, has been working with Kazan State for a much longer period of time and we benefited by his experience over several visits. We also believe that there is value in having outsiders view the position in which Kazan State finds itself with a fresh perspective. We all carry the biases of our own cultures and experiences but hopefully our comparative experience and especially our experience in working with market systems where universities have to continually adapt to changing conditions will be of some value.

Overall Strategic Directions of Kazan State University (KSU)

Assumptions. Assumptions about the duration of government financial austerity, government policies and the growth and shape of market forces in Russia will influence enormously the strategic options that KSU leaders consider in their thinking about future development of KSU. If, for example, the current financial and political instabilities are

assumed to be relatively short term and that previous levels and stability of government support will return, then it is perfectly reasonable to endure the crisis patiently and to persevere everything you can. If, on the other hand, the current decline in government support and rise of new labor market specialties represent fundamental shifts that will continue into the foreseeable future, then patience alone, without radical measures, may endanger the long-term position of strength that KSU has enjoyed in the past.

Based upon the experience of western and other nations, we conclude that government investment rates in higher education are declining worldwide and that universities everywhere are adapting to these trends in order to sustain quality and even survive. Universities are adapting by aggressively developing alternative sources of revenue, by developing new academic programs, and reassessing expenditure patterns. Russian universities have been very innovative on the revenue side but have adapted more slowly on the academic program and expenditure fronts.

Strategic thinking. KSU strategic and policy documents (mission statement, SWOT, policy statements) provided the visiting advisor team are impressive initial steps in strategic assessment. We believe the next steps to be taken are more in-depth and specific scenario plans that are based on alternative assumptions about the financial and competitive environment—assumptions that include continuing government austerity and substantially increased competition from other higher education institutions.

The most fundamental strategic question for KSU is whether the traditional classic university will survive in its present form or to what degree it will have to change. We believe two factors are critical here. First, areas of student and commercial growth do not favor the classic university. Student demand, in Russia and elsewhere in the world, has shifted away from the classic disciplines toward professional and applied fields. Second, the development of existing universities in the area and the emergence of new institutions will, in all probability, introduce a new level of competition for students and other activities with funding implications that cannot be ignored by KSU. The experience of universities in the United States and Western Europe is that once new or previously small and specialized institutions of higher education gain a broader mandate and once their names are changed to include “university,” the scope of their programs and the interests of students and industry increase enormously. Over relatively short periods of time, these emergent institutions become aggressive and formidable competitors in arenas that were once the exclusive territory of universities and perhaps more importantly in newly emerging areas of growth.

We believe KSU must undertake strategic management actions to position its academic programs and its regional economic development efforts to capture growth in students and revenue. This means giving priority to the development of economics, law, management and other areas of high student demand. It also means establishing the capacity, through existing research strengths as well as new strategic alliances (e.g. with Kazan Technical University or even foreign universities), to build regional economic ties. These strengths could be further enhanced through the development of a technology

transfer capacity in KSU and substantially expanded continuing education and retraining programs.

Finally, KSU should consider seriously its connections and influence with the Tatarstan Government. While relationships have apparently been good, there will always be important government policy considerations which might not always serve the best interests of the flagship university of the republic. The same might be true of the local city government. Proactive efforts by KSU to focus on areas of mutual interest and benefit will pay important dividends in the long run.

Planning and Analysis

We believe that the planning and analysis functions at KSU should be strengthened and enhanced. Under the old regime, these functions were relatively unimportant. Now, as KSU gradually moves to shape its own destiny, it will become increasingly important that KSU knows what it wants to do, examines alternative paths in how to achieve those goals, and continually analyzes possible quality enhancing and efficiency measures.

Strategic Management. KSU has had an informal group actively engaged in strategic management. They have already produced very thoughtful analyses (SWOT, strategic issues). Their activities should be made more formal, either by establishing a new committee charged with strategic responsibilities or by charging a current management group with specific strategic obligations. In any case, KSU's top leadership must be involved. In addition, steps should be taken to broaden the involvement of members of the KSU community in the strategic process and to communicate with the faculty and staff about the process and the plans themselves. The recent two-day strategic workshop for the steering core of KSU is a good example of broadening the discussion.

Financial Planning and Analysis. If KSU becomes increasingly reliant on "off budget", or non-state revenues, as we think is quite likely, KSU will need to enhance its financial planning and analysis capabilities. Planning focused almost entirely on budgeted, or state, revenue is no longer adequate.

Financial planning and analysis should support the central administration in two ways. It should help support the allocation of state-based resources among the operating units, and in particular, it should support financial investment decisions for new program initiatives.

It is not just the central administration that could be supported by a financial planning and analysis team. The operating units also need assistance. They have explicitly requested professional financial advice. They would likely welcome assistance in analyzing 1) demand for the services and products they offer, 2) cash flows, 3) revenue and expenditure projections, and 4) development, investment, and recurring costs. We have noted elsewhere that the operating units are likely to work with the central administration if it is to their advantage to do so. They would have something to gain from an expert financial planning and analysis services.

Performance and Policy Analysis. The analytic needs of a modern university in a competitive environment extend beyond the purely financial dimension. There are external issues to be tracked and analyzed, such as demographic and socio-economic trends. There are internal issues too, such as productivity and cost studies, policy analyses, assessment of strategic and operational goal achievement, and a variety of management reporting needs to be met.

The Team. We envision a small team of professionals having responsibility for the financial planning and analysis and performance and policy analysis tasks described above. The team as a whole should have financial skills, mathematical modeling skills, and information gathering skills, know how to do policy studies and know how higher education institutions function.

Data and Information. The analytical team's ability to carry out their responsibilities will depend on their access to University data of all kinds. Furthermore, they must be in a position to influence the nature of the data gathered by various administrative units such as the registrar and the accounting office. The whole point of having such an analytical team is to undergird decision-making with accurate, reliable, and valid information. If they cannot get the data they need, the team cannot fulfill its purpose.

Location of the Team. The team should report to a vice-rector. Wherever they report, it is critical that they be seen as impartial or neutral. They cannot have an agenda of their own, nor work on behalf of any faction.

We understand that KSU is considering the development of a Center on Higher Education Management. Such a Center could well be the initial if not permanent home for the analytical team. Such a team will require some resources. The benefit KSU would derive from the team's analytical efforts would justify the allocation of those resources. At the same time, far fewer resources will be required from KSU if the Center can find funding from other sources as well. The overlap of required skills and subject matter, along with possible cost savings for the University look promising.

Organizational Structure

Any operational structure should be judged by the mission, as well as the function and flexibility of the institution to adapt to the changing environment.

It is clear that as many other universities in the world, KSU can improve its administrative structure through:

- A sharper delineation of the responsibilities of the academic council, rector, deans, heads of departments
- Removal of trivial decisions from the agenda of the Academic Council and delegate them to the administrative level
- A stricter respect of the deadlines and follow-up of decisions
- Professionalization of its administrative staff

Looking at the organization as a whole, it is most important to transform the organization from a passive administration which only sees to it that rules and regulations are respected, to a proactive strategic management focused on what changes are needed most and able to orchestrate appropriate change processes. It is important that the important, long-range issue move onto the decision-making agenda and structure of the organization. It is all too easy for these long-range issues to be overshadowed by short-term but pressing issues.

Strategic management should:

- Proactively identify all possible stakeholders and integrate them in the activities of the university
- Include new developments and trends in the new markets
- Critically look at the opportunities for realizing the mission of KSU and, if necessary change the goals and adapt the mission.
- Exploit and use the know-how and the drive of the real change agents of KSU, such as the strategic management seminar team.
- Bring the issues, their approaches, their critical findings and their discussions to a broader forum of deans and other leaders in the university.
- Encourage the use of strategic reflection, analysis and action at both central and decentralized levels of KSU.

Organizationally strategic management means:

- Professional support staff for the central governance bodies.
- Setting up a small team of professionals in strategic and financial analysis as above
- Setting up a network of outreach activities.

Changing an existing organization is time consuming and often difficult. Therefore it is advisable to exploit the new educational markets more effectively through setting up a new outreach office rather than using an existing organizational unit.

An outreach office:

- Works under direct supervisor of the rectorate (a particular vice rector)
- Works outside of the normal organizational structures and procedures
- Concentrates on the different stakeholders and on the efficient educational markets
- Is not aimed at replacing what has already been done at the level of faculties, departments or even individual persons; an outreach office has to be considered as knowledge brokers or an interface between faculties and the different stakeholders in the markets.
- It should not be obligatory to use the different outreach offices. We believe from our experiences that very soon the “added value” of such offices will be so evident that a large majority will prefer working with them. We are convinced that a systematic approach (even starting with a small staff) can enhance manifold the activities of the university and the revenues it can bring to the university community.

Examples are:

- Industry-university interface
- Innovation and incubation centers
- Center for regional economic and social development
- Fundraising and alumni associations
- Outreach lobbying: Tartar government, City of Kazan, Federal administration, international agencies
- International office of KSU
- Outreach advisory council with participation of key stakeholders
- Permanent or continuing education

The importance of networking

It should be realized that even a university such as Kazan is not able to develop itself the needed expertise to cover all new fields. Moreover, KSU has a tradition of focusing on centers of excellence. This means that concentration of resources in a few areas leaves the rest in less favorable conditions. In western universities a common way to compensate for this disadvantage is bringing in the expertise for the new developing disciplines though networking. An example is the Lovanium-leti School of Management in St. Petersburg which is built on an alliance of KULeuven and the Electro Technical University of St. Petersburg.

Human Resources

The ultimate resource of any university is its human capacity. In strengthening the capacity of KSU to function effectively within the framework of the recommendations we are making, it is critical that an ongoing investment be made in the training of personnel at all levels to meet the challenges of their new and evolving responsibilities. While motivated individuals are the key to individual and institutional success, helping those individuals develop the specific skills they need is the responsibility of the human resource function. We believe there are three initial steps that should be taken to establish a commitment to this investment:

- Develop a management training policy that defines an expectation for all new deans to have a basic management training;
- Create an in service training capacity by sending out 2-3 mid-level people to be trained and then to serve as the internal trainer for the institution;
- Create a human resource function that reports to a vice rector to focus leadership attention on management and staff development in a systematic way.

Other Issues

- **Nationally Imposed Constraints**

Two very important sets of constraints imposed on KSU shape and limit institutional strategies and experiments in greater institutional efficiency. The first set is a series of planning and budget allocation rules such as a student-faculty rates of 8:1, limits on tuition paying students and similar rules. As governments in many western countries have reduced their investments in universities, they have in return allowed a greater measure of financial autonomy—eliminating previous rules to give institutions more flexibility to experiment and to earn more funds. While such tradeoffs have occurred to some extent in Russia, we believe it would be wise for KSU to join other top-tier Russian universities in a lobbying effort to secure as even greater measure of financial and policy autonomy.

One of the policy arenas where a rigid structure limits experimentation and opportunities to be more responsive to emerging labor market demands is in the requirements for academic degrees, i.e. exact course to be taken, number of class hours per week, etc. While this long-standing structure has origins in academic definitions of quality, it is inconsistent with rapidly changing demands of the labor market and represents fundamental barriers to experimenting with more efficient, yet quality co alternatives. We believe KSU should exercise a leadership role in reforming this system by joining discussions nationally and by experimenting in alternative patterns, e.g. academic programs with a much higher proportion of independent and other forms of study as opposed to traditional classrooms hours. Similarly, universities should experiment more with selected programs controlled by full-time faculty but taught by mixture of full-time faculty and part-time practitioners their by relating theory to practice for students.

We believe the labor market will eventually force many such changes on university programs and that it would be wise to anticipated such changes and provide academic leadership and development

• **Policies of the Central Administration vs. Flexibility of the Faculties**

Use of KSU resources for personal gain was an issue raised in our visit. This is always a difficult balancing issue. It is important that faculty have incentives to develop consultation and contracts related to their academic specialties and research. It is also important these activities be integrated, to the extent possible, with academic programs and with securing appropriate financial support for the facilities and services that underwrite these activities. We suggest that policies be developed that allow (and limit) time spent on personal consulting activities. Furthermore, this policy should be part of other policies and practices that encourage units to bring these activities largely within the universities, i.e., revenues shared between individuals (in the form of added compensation) and faculties (to underwrite equipment, support staff and facilities).

Another central administration policy issue raised was the extent to which the rector's office should "tax" or claim overhead on various activities developed by units. For the most part, we believe that the current taxing system is fair. The only area that might be further developed is the institution of a tax on short courses. It seems to us that this an

area of potential growth and one where the marginal costs of growth represent revenue potential for both the operating unit and the central administration.

- **Supporting Centers of Excellence and Resource Reallocation**

KSU has developed widely recognized centers of excellence in the physical and mathematical sciences. These centers should be a key element in any strategic vision of KSU but they should be subject to periodic internal reviews as they are forced to cope with declines in government funding, student enrollment and labor market signals. One common method of internal review used extensively in western universities is a “program review” team composed of respected internal and external academics who examine staffing, resources, research output, student enrollment and degree output, and other data. The results of these program reviews are shared with the unit under review, the dean, the rector and vice rectors and eventually the Academic Council. It is on the basis of these reviews that decisions about enrollment levels, staffing, and resources are made.

An example of why such reviews are needed is KSU’s outstanding faculty in Physics. As we understand it, eight years ago physics graduates numbered approximately 300 per year. That number is now down to 180 and may continue to decline. Academic staff in physics constitutes then and now about 135 teaching staff and 100 researchers. One of the critical and difficult strategic and resource questions that KSU faces is determining the critical mass of teaching and research academic staff necessary to maintain a strong center of excellence in the face of declining numbers and funding. At some point difficult decisions about the scale of such operations and about reallocation of positions and resources to areas of growth need to be made.