Entrepreneurship and Commercialisation of Academic Programs in Higher Education: An Australian University’s Experiences

Dr Raj Sharma (Director) and Dr Harch Thandi (Senior Lecturer)
Swinburne University of Technology, Melbourne, Australia

Abstract

Progressively during the 1990s, both in Australia and in many countries throughout the world, Governments have reduced public funding to universities. This has resulted in universities seeking alternative sources of revenue and with the Government encouraging commercialisation of Higher Education – particularly the selling of degree programs. Today, universities have diversified their funding sources, which range from recruiting foreign students, local fee-paying students (mainly postgraduate course work in Australia), leasing university facilities, organising conferences to commercial research and consultancy activities for patrons and industries. This situation is also true for the Case Study University, which is located in a South Eastern Australian State. The University’s Graduate School offering management and entrepreneurship programs is almost entirely student-funded. Indeed, during the year 2000, the government only funded 5% of the School’s student load, with the balance (95%) being financed by local fee-paying students and international fee-paying activities. This paper discusses the experience of commercialising this school and its entrepreneurial efforts, as well as the marketing of its degrees.

Introduction

Government policy has pushed universities into business competition. For their survival and long-term viability, there is thus dependence by universities on ability to recruit students. There is the over-riding factor that money is more important than anything else. Regarding each other as competitors, universities are now keeping much closer tabs on the activities of other universities in relation to course offerings, fees charged, student pass rates, marketing, modes of student recruitment and provision of ancillary services to students. In many circumstances, as evidenced from the content of the web pages for various universities, there are both implicit and explicit statements about why the offerings of a particular university are superior to those of other universities.

It is envisaged that the impacts on postgraduate schools have been many and varied. The new realities are being internalised, and institutional responses are being developed unique to each school or faculty, though the areas of focus are probably very much the same. The implications for the Australian Graduate School of Entrepreneurship (AGSE) are considered in this paper.

Methodology

The research on this topic relied heavily on the personal experiential learning of some postgraduate Programme Directors, Academic Managers and marketers at AGSE and university level (International Student Unit) as well as on the discussions at School and University level relating to commercialisation of academic programs. These discussions covered topics such as
programme relevance, programme rationalisation, curriculum development, domestic and international marketing, agency relationships, and clientele characteristics and expectations. Invariably, these discussions were held in parallel with others on the strategic refocus of the university and its faculties.

The data was supplemented by personal discussions and ring-ins to relevant staff at other universities in Victoria and New South Wales. As anticipated, there was suspicion and reservation on the part of some respondents when imparting information or when asked to substantiate some assertion or to comment upon an alleged claim. As expected, too, there was outright refusal by some to even discuss any aspect of this topic. Hence, though some validation was possible on some of the findings, cross-validation was not possible due to the desire for confidentiality of purpose on the part of many respondents.

**Literature Review and Conceptual Framework**

Wells (1994) suggested that in the context of Australian Higher Education, the genesis of commercialisation of Higher Education can be traced to the Government White Paper entitled ‘Higher Education: A Policy Statement’ issued by the Australian Government in 1988. Inter alia, this paper introduced the Higher Education Contributions Scheme (HECS) in which Australian students were required to pay a fee set at approximately 20% of cost; and introduced the full fee paying scheme in which overseas students are charged a fee based on the average costs to the university. It is suggested that the changes instituted by the White Paper were largely budgetary motivated. In particular, they were designed to increase Government control over and reduce Government funding for Australian Higher Education.

Anderson, Johnson and Milligan (1997) indicated that, since 1989, it has been possible for Australian Higher Education Institutions to charge fees for postgraduate courses. Although such commercialisation of postgraduate course work programs was initially limited to a range of courses, it is now open to universities to charge fee at any level they wish for postgraduate courses in Australia, except those graduate diplomas that lead to an initial qualification in Teaching and General Nursing. This revenue has been seen by the Australian Government as a source of income to offset some reductions in recurrent funding and to pay for salary increases that have not been supplemented by the Federal Government. Anderson, Johnson and Milligan (1997) studied the effects of the introduction of fee paying postgraduate courses in Australia on access for designated groups. They suggested that selling of postgraduate degrees tends to disadvantage women more than men since their fees are less likely to be paid by the employer. Similarly they found that the introduction of postgraduate coursework fees acted as deterrence for enrolment from indigenous Australians and people of low socio-economic status.

Pratt and Poole (1998) indicated that market forces and economic imperatives are driving the internationalisation of Higher Education in Australia. Education export is also seen as an example of the way in which some sectors have responded successfully to the phenomenon of globalisation. Pratt and Poole (1998) further suggested that Australian Universities are not alone in having to respond to the consequences of globalisation and trade liberalisation. They suggested that in a study of eleven countries, including Australia, the United States of America and the United Kingdom, the university system of all but one country (France) had experienced funding levels that had either fallen or remained stable at the time when the dramatic increases in student intakes had occurred. Further, they mentioned that another trend apparent in most of the countries was that Governments were asking their universities to fund increasing proportions of their funding from non-Government sources, including entrepreneurial activities.
Massey and Milsom (2000) indicated that Australia differs from other nations in that it has a relatively higher level of research and development expenditure in Government research organisations and universities and a comparatively low level of business expenditure on R&D. They suggested that the Australian Green Paper on research was an attempt to reverse the low business expenditure on R&D and focus attention on increased industry funding and promotion of a more entrepreneurial culture in terms of research in universities. But they suggested some dysfunctions in universities in turning to industry for research grants including possible decline in national basic research effort and the de-emphasis on gender equity since women university researchers are mainly focused in the Arts and Social Sciences that are unlikely to be funded by industries.

Williams (1998) stated that universities in most western countries now operate in a fiercely competitive market place. He suggested that Governments are unlikely to become more generous since they have too many clients. Further, Williams (1998) indicated that the main benefits of Higher Education accrue to individuals rather than societies as a whole. Accordingly, user pay in terms of Higher Education appears to be supported. Williams (1998) indicated that diversification of university funding sources can lead to healthier institutions and ultimately higher average quality of service to students and societies.

**Figure 1. Scope-setting conceptual framework**

Daniel (2000) suggested that, because universities have a mission of research, they have an infinite capacity to spend money. Further, it was suggested that universities tend to argue that cost of the teaching activities will always outstrip inflation. Daniel (2000) argued that, since Government finances are constrained in most countries, the rising costs of teaching must be met either by charging more to students or by getting more money from commercial or private
sources. He summarised that this results in higher fees to students and tendency to commercialise the university through advertising and sponsorship.

Scenarios such as those described above, influencing the commercialisation of universities’ academic programs, have resulted in positive and negative impacts on the operations of the academic units and on institution-client relationships. The scope and discussion on these variables is guided and bound by the conceptual framework depicted in figure 1.

**Commercialisation of Academic Programs in Australia – An Overview**

The purpose of this section is to provide some contextual information regarding the commercialisation of academic programs in Australia. As such, it provides an overview for the case study presented in the next section.

Dobson (1995) plotted the income sources for Australian Higher Education from 1939 to 1993. Key findings from this study can be summarised as follows:

(a) In 1939, 45% of the funding source of Australian Higher Education was from State Government coffers with students contributing 32%, investments, endowments and other sources providing the balance (23%).

(b) By mid 1970s Australian Higher Education was virtually fully supported by Governments and no tuition fees were charged from 1974.

(c) The fee free regime lasted only a few years. The Fraser Government instituted overseas student’s student charge, which amounted to about a third of the average course cost, in 1979. Later, from 1986 overseas student fees were charged to cover the full cost of tuition plus a capital component. For local students, a $250 per student higher education administrative charge was introduced.

**Table 1. Australian higher education % distribution of income by source***

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth Funding</td>
<td>–</td>
<td>89.3</td>
<td>63.5</td>
<td>50.8</td>
</tr>
<tr>
<td>State Funding</td>
<td>44.9</td>
<td>0.8</td>
<td>5.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Sub-total Government</td>
<td>44.9</td>
<td>90.1</td>
<td>68.4</td>
<td>51.9</td>
</tr>
<tr>
<td>Student Contributions</td>
<td>31.7</td>
<td></td>
<td>20.1</td>
<td>28.3</td>
</tr>
<tr>
<td></td>
<td>#</td>
<td></td>
<td>(12)</td>
<td>(17)</td>
</tr>
<tr>
<td>Investment/Endowments</td>
<td>16.1</td>
<td>4.4</td>
<td>7.6</td>
<td>4.8</td>
</tr>
<tr>
<td>Other</td>
<td>7.3</td>
<td>5.5</td>
<td>3.8</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

# Including HECS

* Rounding errors


The funding trends mentioned by Dobson (1995) is now somewhat dated since he referred to 1993 – 1994 figures. Table 1 below updates this information to 1998 – the latest available from the Australian Government Authority.

Table 1 shows that Commonwealth funding for Australian Higher Education declined from 89.3% in 1981 to 50.8% in 1998. As previously stated, this trend is partially due to the introduction of the Higher Education Contribution Scheme that by 1998 provided 17% of all Higher Education Revenue. Further, the contributions made by students increased from 0% in 1981 to 28.3% in 1998.

Table 2 disaggregates the student contribution in terms of funding to Higher Education between 1992 and 1998. The following comments are made on the data contained in Table 2:

- Although HECS contributions have increased markedly during the 1990s, in proportional terms, the student contribution through this source actually declined between 1992 and 1998 – due to deregulation of other fee-paying programs by the Australian Government.

- It reveals very major growth rates in relative terms made by the revenue generated through continued education programs, international fee paying programs and other Australian fee paying programs, particularly postgraduate fee paying courses.

### Table 2. Australian higher education % income sourced from students (academic programs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HECS</td>
<td>79.3</td>
<td>60.6</td>
<td>-23.6</td>
</tr>
<tr>
<td>Continuing education</td>
<td>1.7</td>
<td>2.8</td>
<td>+64.7</td>
</tr>
<tr>
<td>Full fee overseas</td>
<td>17.9</td>
<td>29.2</td>
<td>63.1</td>
</tr>
<tr>
<td>Fee paying postgraduate local students</td>
<td>1.1</td>
<td>6.4</td>
<td>481.8</td>
</tr>
<tr>
<td>Other local fee paying students (non-award and undergraduate)</td>
<td>–</td>
<td>1.0</td>
<td>NA</td>
</tr>
<tr>
<td>TOTAL STUDENT RELATED INCOME</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**Note:**

- $s$ excludes government investment / endowments and other funding sources

**Sources:**

- 1994, *Selected Higher Education Finance and Research*

Tables 1 and 2 taken together suggest significant declines in Government funding of Australian Higher Education coupled with significant commercialisation of academic programs; indeed by 1998, fully commercialised academic programs contributed $943 million to University coffers with partial fee paying local students providing $1.45 billion through the Higher Education Contribution Scheme.

Whilst this paper focuses on commercialisation of academic programs, it is noted that research commercialisation has also gained momentum in Australian Higher Education. For instance Kemp (2001) recently notes that many Australian Universities are already well positioned in recognising commercial opportunities and formation of industry alliances in research and innovation. It is further noted that this growing confidence is reflected in the growing proportion of Income that universities are now utilising to enhance their research and other academic activities.

Tables 1 and 2 paint a picture in terms of commercialisation of academic programs with respect to growth in funding. It is interesting to note the trends in these changes in terms of student load (equivalent full time student units). For instance, postgraduate fee paying student load has increased from approximately 7200 EFTSU in 1993 to around 24100 EFTSU in 1999 – more than trebling of such student load. Over the same period full fee paying overseas student numbers have grown from 30,600 to 74,200 – a growth of 142%.

In summary, in terms of revenue and student places, there has been a massive growth in commercialisation of academic degrees. Even in the so-called ‘Government Funded Students’ category an increase in student contribution to the funding of Higher Education through the Higher Education Contribution Scheme has also occurred.

**Commercialisation of Degrees in the Graduate School**

Because of the pressures inherent in and created by the need to commercialise academic programs, the AGSE has taken the following realities on-board. Some have exercised a direct influence and others an indirect influence on both strategies and operations.

1) **Strategic refocussing of the University**
   Financially, commercialisation has the main benefit of universities being able to retain all funds received from students. These are then used to hire talented staff and provide better resources. A corollary to this is that those universities that are less successful in the marketing exercise tend to be worse off than under the government funding systems. This creates the ‘haves’ and ‘have-nots’ in the tertiary sector.
Hence, Swinburne University strategy is aimed at not being one of the have-nots. It has strategically positioned itself to actively seek diversified sources of funding so as to lessen reliance on Government funding. It has sought the development of an entrepreneurial culture in terms of both staff activities and student development. As regards the latter, it is the intention to encourage students to be self-employed due to increasing unemployment. Being a relatively new university, it tries to attract more research grants from industry, patents, etc. This fits in with the university’s applied technological and entrepreneurial focus. Other proactive moves include the establishment of the Postgraduate Education Loans Scheme, targeted to operationalise in 2002. It is anticipated to have a positive impact on student numbers. To cater to the increasing diversity of the student population, especially in language proficiency, an English language centre has been made available to all students experiencing difficulties in the English language.

b) The Graduate School as a Strategic Business Unit

- The AGSE has taken its cue from the University’s corporate strategic intent. It has positioned itself as an entrepreneurial institution, with the focus of all teaching and research being on being entrepreneurial in all endeavours. This, combined with the name change from the Swinburne Graduate School of Management to the Australian Graduate School of Entrepreneurship, is designed to put the School in a niche market, thus offering a ‘boutique’ rather than a ‘vanilla’ product.
- The effect on availability of courses has been pronounced.
  o Since the Government’s posture has forced a context that courses need to pay for themselves, there is a tendency not to offer a course if it is deemed to be economically not viable. At the AGSE, this has seen programs such as the Doctor of Organisational Dynamics and Master of Organisational Dynamics close down. The results are that the large resources previously dedicated to such uneconomic course are now freed up for re-deployment, in that the community is better served by courses in demand. However, some fields of knowledge (regarded by some academics as important for their intrinsic or application value) are disappearing.
  o Another phenomenon seen is the coalescing of existing programs to produce a more viable and potentially more ‘attractive’ program. At the AGSE, the Master of Management, Master of International Business, the MBA (Management) and the MBA (Corporate) were closed down, and only relevant aspects were input into a new program, the Swinburne MBA. This latter is a revolutionary program that is projected to maximise benefits for the clients and for the organisations that hire them. It focuses on the new economy, and is intended to develop entrepreneurs and entrepreneurial businesses. Because it tightly focuses on such outcomes, it is expected to pay dividends in terms of student numbers, in both the domestic and international markets.

c) New realities of the professional operating core

a. Change of attitude of staff at the AGSE has become prevalent towards students in the face of the knowledge that students are paying for the course. There are both positive and negative aspects to this issue. In a positive light, most full-time staff tends to put themselves in the shoes of the fee-paying students and see students as clients who are owed a service. However, some staff feel that a few members
of the sessional staff, who come from diverse backgrounds and who may not be properly acculturated into the new School value system, may still harbour the old attitude and perceive students as a necessary evil, and such engrained attitudes would probably take years to eradicate. The School can well do without these staff.

- AGSE has also noted the widely publicised assertions in the media that there is increasing reluctance on the part of staff at many universities to fail students who have paid to do the course. This reluctance has a tendency to lower academic standards. At the AGSE, such a posture is seen to rebel against their prevailing attitudes to maintain standards. In trying to maintain standards, AGSE staff try that much harder to assist students to reach the required standards. They institute extra assignments for the weaker students, and provide feedback in varying amount of detail on student performance. Ultimately, however, students not making the grade do fail. Sometimes, as is the practice at most universities, AGSE students are allowed to resubmit a failed assignment with the proviso that, in cases of such resubmissions, the highest possible mark awarded is no higher than a bare pass mark. This is in fairness to other students who do well but might want to try to better their grade through a resubmission, which is not a practice at the AGSE.

In addition, in response to the increasing diversification of the student population in terms of differences (cultural, learning styles, socio-economic status, religion, academic standards/achievement, etc.), AGSE has adopted a wide range of teaching and learning methods, as well as begun using different assessment methods. Staff meetings at the School often express concerns about how and when the School uses feedback from the Student Evaluation surveys. Subject convenors are interested in feedback on not only for their own subjects but also about the program as a whole. This information is now available on the web to staff. It has become the practice to alter mode of assessment from semester to semester to proactively avoid a ‘black market’ for assignments that has been reported to exist at some other universities, locally and abroad.

- Hardline attitudes are softening among AGSE staff towards plagiarism and subject standards in student assignments. Now, in favour of equity for fee-paying clients, questions are often asked whether instances of plagiarism and low academic standards were a result of stress, poor language skills and poor time management by international students rather than a deliberate attempt ‘to defraud at any cost’. In the same vein, issues have been raised as to the advisability of mixing students with work experience with those without.

**d) Client relationships**

- Pastoral care
  AGSE has acknowledged that some students, especially international, need special care when they face problems, especially of a personal or family nature. Staff have been nominated to provide pastoral care.

- Cultural sensitivity
  In the past, there had been instances at the AGSE with staff who were not culturally sensitive when dealing with students. Consequently, in light of the new realities, a firm line has been taken that all students be treated equitably. Sources of advice on cultural differences/difficulties are being circulated to all staff, full-time and sessional.

- Increasing empathy towards students’ economic position
Some recent studies have shown that students increasingly need to undertake part-time employment to fund their studies. Hence, in attempting to ensure equity to all students in terms of access and success, AGSE has acknowledged that fee-paying students from abroad and local ones will be facing financial difficulties time to time. Such students have been given a number of flexible payment options. Some students, whose financial status reduced due to the weakening of the Asian currencies, have had difficulties in concentrating on their studies or have had to pick up some part-time employment. These are given a sympathetic hearing.

e) Marketing orientation and tactics
AGSE has noted the following phenomena in this regard:

i. Regarding each other as competitors, universities are now keeping much closer tabs on the activities of other universities in relation to course offerings, fees charged, student pass rates, marketing, modes of student recruitment and provision of ancillary services to students. In many circumstances, as evidenced from the content of the web pages for various universities, there are both implicit and explicit statements about why the offerings of a particular university are superior to those of other universities.

ii. In some cases, the competition has resulted in some unsavoury activity in marketing and student recruitment. Anecdotally, even badmouthing of competitors has been reported to take place at the various education fairs, such as those organised by the IDP and held internationally! This has forced the establishment of a Code of Ethics by the IDP.

iii. Some respondents also reported that there is also corruption involved in the ranking systems of universities, though no verification was possible on this claim.

iv. Where it is not a case of corruption, then the very basis of such rankings is suspect from other standpoints, such as veracity, validity and reliability. For example, Asia Inc Magazine sent out the Asia Inc MBA Survey 2000: Peer Review in August 2000 to universities in the Asian region, soliciting responses to ‘greatly enhance our ability to conduct a fair and objective ranking of top Asian MBA programs’ (excerpt from covering letter). In light of the intensity of inter-university rivalry in Australia, it is questionable that a peer review should have been used for the avowed purpose of ‘fair and objective ranking’. Next, due to bounded rationality, comes the question of how one should rank institutions with which one is not familiar. Does one rely on hearsay alone or look up yet another ‘ranking’ conducted by some other organisation? How reliable would these ‘data’ be? What is the face or content validity of the measures used by these ranking agencies? For instance, to what extent do such measures (used by this particular survey) as ‘job placement process’, the course’s ‘Asian course content’ or ‘modification of your Asian course content to reflect the Asian crisis’ constitute valid measures of an MBA program’s excellence? The next questionable aspect is the choice of the MBA programs that constitute the ‘80 Full Time MBA programs in Asia’ that were to be ranked. One could ask how this list was drawn up. How did the ranking body select the MBA programs within a country to constitute the list for that country? For example, there are several other MBA programs running in Malaysia, and it is not clear why only the one program was selected for inclusion. In comparison, there were 31 programs from Australia!

v. ‘Products’ offered by a university are affected by what other universities are deciding in terms of content and especially entry standards. The content aspect has raised a serious marketing issue. Universities have begun to differentiate
themselves in various ways. For example, a given university may make itself more attractive to its clients by setting very high standards and charging very high fees, as does Melbourne University and other very large universities. The alternative is for some universities to lower academic standards to draw from a larger clientele pool. They also lower their fees to attract the price-conscious students. The question has been raised as to where in that spectrum AGSE should position itself.

In view of all these, AGSE has set up a dedicated marketing and student recruitment department. Marketing staff from the School travel internationally on student-recruitment exercises, to service and maintain their agents, and to establish networks and create awareness of AGSE’s offerings. AGSE marketing staff is also involved in student recruitment locally. Hence, a plethora of marketing methods and activities is used at the AGSE, such as the following:

- **Local** marketing activity has focussed on newspaper advertisings supplemented by casual information sessions. The latter have included MBA fairs in the city. Formal information sessions, such as our popular PIEs (Postgraduate Information Sessions) have also been instituted. Other universities, such as LaTrobe, also use radio advertising for their MBA program, and most have set up web sites. The issues here relate to the recent introduction of fees for MBAs. The initial reluctance among local postgraduate applicants to pay, however, later led to student acceptance numbers increasing. Local postgraduate students are now regarded as valued clients and marketing efforts are focused more on the local students.

- **International** marketing relies largely on the presence and activities of the university’s International Students Unit (ISU) at educational fairs. It also relies on agencies, such as the IDP and private ones, set up in a number of countries. However, in India, standards seemed to be compromised 50 per cent of the time, leading to various positive and negative long-term effects. There is a need to set up standards for selection of students in that country. Should AGSE’s acceptance cut-off level be 2nd class degrees from top Indian universities and 1st class degrees from the ‘also-ran’ tertiary institutions?

**f) Agency relationships**

- Anecdotal reports from some universities indicate that the activities of some recruitment agents appointed in other countries have been found to be either wanting or less than wholesome. Understanding the competitive nature of tertiary education, some agents have chosen to manipulate for their own ends the rival institutions employing their services. Institutions that pay handsome commissions to these agents are recommended very highly to students, and the rest either ignored or even bad-mouthed. Other anecdotal reports indicate some agents have even asked for ‘paid holidays’ for themselves in Australia. Some dishonest agents, in trying to boost numbers of students to their favoured universities, have even resorted to falsifying students’ academic and other documents. For instance, the Australian Visa Office in New Delhi reportedly had to come down hard on some agents, and police action was also initiated. Thus, AGSE has had to tread carefully in their handling of its appointed agents, relying mainly on the IDP and very few privately appointed agents.

**g) Other variables**

Other efforts at the AGSE to grow and to increase revenue have included the following:
• AGSE has established industry linkages to look at corporate entrepreneurialships, family entrepreneurships, and venture capitalist activity.
• The positioning of the MBA and the development of its variations are the subject of a recent review.

Discussion and Conclusion

Due to a number of external environmental factors, Australian universities increasingly need to commercialise their teaching and research programs and develop an entrepreneurial culture in order to survive and prosper in the new competitive world of the 21st century. A conceptual framework for examining this study was developed in figure 1. Such a design may be equally applicable to other countries when considering adaptive responses to external stimuli facing higher education. The forces facing Australian higher education may also be in place in other countries where the massification of this educational sector leads to governments requiring alternative funding sources to the public purse.

In system-wide terms, the Australian higher education response to the slowing down of revenue flows from Canberra has been to increase contributions made by local students to their education. The Government’s justification for HECS – a scheme for deferred student contribution to their studies- is that there are significant private benefits flowing from higher education (for instance through increased earning capacities of graduates) and hence a move towards greater ‘user pays’ is justified. Australian universities have also increased the proportion of non-government income through greater attention to continuing education and fee-paying programs offered to local and international students.

At the academic organisational unit level, the quest for funding has led to the evolution of entrepreneurial approaches in curriculum development, marketing, development of alternative client-related executive development packages, industry linkages, client relationships and development of unique corporate images. The impacts have been positive, such as an increase in quality products due to inter-university rivalry intensifying, as well as negative.

References


Kemp, DA 1999, Knowledge and Innovation: A Policy Statement on Research and Research Training, Commonwealth of Australia, Canberra.


