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The Entrepreneurial University: Rewards & Risks

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THE ENTREPRENEURIAL UNIVERSITY: REWARDS & RISKS
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"The universities of the world have entered a time of disquieting turmoil that has no end in sight. As the difficulties of universities mounted across the globe during the last quarter of the twentieth century, higher education lost whatever steady state it may have once possessed." --Burton Clark, Creating Entrepreneurial Universities: Organizational Pathways of Transformation. IAU Press, New York: 1998, Page xiii

Tuition at the nation's public universities rose an average of 10.5 percent this year, the second largest increase in more than a decade, according to the latest annual survey by the College Board. Last year's rise, 13 percent, was the highest. Private universities and community colleges also increased tuition, by 6 percent and 9 percent, in a year when inflation has been about 2.5 percent. The tuition increases at private and community colleges were also among the steepest in a decade.

It is precisely in the nature of knowledge as capital that the cultural contradictions of academe emerge. While corporate practices have the upper hand in running the university, the culture wars that exist in every institution remain a struggle between two major epistemes of academic power: commodity knowledge, that is knowledge that has a use for the world of work, professional and preprofessional training, policy development, inventions, and patents; and symbolic knowledge, knowledge that deals with value judgments, ethical, cultural, aesthetic, and philosophical argument, and speculative science. It is foolish to suggest, as some have, that the university is dedicated simply to one or the other kind of knowledge. It must accommodate both. But the tension between the rival knowledge is very real, and the modern episteme of academic and symbolic knowledge, particularly that represented by the liberal arts and humanities, has a much harder time proving its worth as market-driven universities scramble to establish the importance of knowledge that value in the marketplace. Eric Gould, The University in a Corporate Culture, p. 102

Yet today public leaders are increasingly discarding public policy in favor of market forces to determine priorities for social investment. The shift toward high-tuition/high-aid funding models, from grants and loans to tax benefits as the mechanism for student financial aid, from state-supported to state-assisted public higher education, all reinforce the sense that higher education today is seen increasingly as an individual benefit rather than a social good. Public higher education can no longer assume that public policies and investment will shield it from market competition. Duderstadt and Womack, Beyond the Crossroads, p. 98

Bowen’s Law: “Universities will raise all the money they can and spend all the money they raise.” -- Howard Bowen

Introduction
The university today finds itself in an extremely difficult situation. This condition is characteristic of both private and public universities, although the reasons are slightly different in each case. Most of my remarks today will pertain to America’s public universities, though they are largely applicable to our private colleges and universities as well. The competitive environment for universities is as intense as it has ever been, whether viewed in terms of the competition for students or for financial resources. Universities are struggling to gain a
competitive edge in students, faculty, programs, facilities, endowments, athletics, and in public support. They are hard-pressed to be accountable to all of their constituencies and the public university is increasingly called upon to justify its ever-decreasing level of state support by tailoring its mission to suit an agenda of economic development defined in the state capital and by the business community.

We have come a long way from the traditional idea of the university as a semi-autonomous institution charged with transmitting knowledge from one generation to the next and creating knowledge for future generations based on priorities that were largely set by the leadership of the university. Today’s university is almost forced to become “entrepreneurial,” if it is to survive and certainly if it is to prosper. Higher education is increasingly becoming decentralized and like other sectors, for example health care, is challenged by non-traditional alternative providers who are prepared to utilize a marketing approach that is in sharp contrast to the universities’ more traditional approach based on the assumption that students (read consumers) will pursue their education at a traditional college or university rather than through a for-profit institution of higher learning. Citing David Collis, Duderstadt and Womack note that “the emerging for-profit, online education enterprise is like a tsunami, with colleges and universities sitting on the beach sunning themselves in the warm glow of a hot economy while believing that the gentle surf before them is simply the tide coming in. Little do they realize that out over the horizon is a swelling hundred-foot tsunami wave, bearing down upon them with little chance to outrun it.” (Duderstadt and Womack, 2003: 88)

We can no longer assume that our states will provide the essential funding necessary to sustain our traditional missions. When I came to the College of Charleston in 1973, over 70% of our budget came from our state appropriation. In 2004, only 18% of our budget is in the form of a state appropriation. In a conversation with John Casteen, President of the University of Virginia, he informed me that his 2003-4 budget included only 8.5% in state appropriated funds. He also indicated that he fully expected the percentage to drop to 5% for this year. Increasingly, as state governments are forced to meet escalating costs, largely associated with unfunded mandates, in health care, prison systems, and K through 12 education, higher education assumes a lower and lower priority for policy makers. This is a trend that will continue.

The University: A Financially Challenged Institution

In what follows I will try to demonstrate that universities stand in a precarious position relative to their financial foundations and that the opportunity to pursue entrepreneurial ventures to generate much needed revenues presents the possibility of both rewards and risks. Virtually every university has suffered through serious budget reductions and has taken steps to economize using reductions in force, outsourcing, downsizing, mission reformulation in the context of strategic planning, and a variety of measures of accountability (e.g., performance budgeting). One of the ubiquitous trends that is currently creating serious challenges within the academic culture of most universities is the increased reliance on part-time faculty and staff in an effort to reduce labor costs. The Chronicle of Higher Education has articles regularly that report the issues and problems that have attended this trend and on the fate of adjunct faculty, forced to eke out their existence, often being employed piece-meal at more than one university while clinging to the hope of the ever-elusive tenure-track appointment. Indeed, the pages of The Chronicle seem to be filled with articles depicting this problem and noting the mounting grievances of graduate students who are pressed into service to help reduce instructional costs.
Changes that have made the university increasingly subjected to the market are among the most challenging new developments that are effecting the universities’ financial situation. Change magazine devoted its September/October 2001 issue to the new competitive market for higher education that has been created by a host of new competitors. Duderstadt and Womack (2003) describe in detail the pressures of market forces on the university.

Beyond competition among colleges and universities there are new educational providers entering the marketplace with the aim of providing cost-competitive, high-quality education to selected markets. Sophisticated for-profit entities such as the University of Phoenix (UOP) and Unext.com are moving into markets throughout the United States, Europe, and Asia. Already more than a thousand virtual universities are listed in college directories with over one million students enrolled in their programs. It has been estimated that today there are over sixteen hundred corporate training schools in the United States providing both education and training to employees at the college level. Industry currently spends over $66 billion per year on corporate training. It is only a matter of time before some of these programs enter the marketplace to provide educational services more broadly. (Duderstadt and Womack, 2003: 80)

These market realities have led to the commercialization of higher education to a degree never before experienced. Consider Derek Bok’s interpretation of this situation:

Commercialization typically begins when someone in the university finds an opportunity to make money: an offer of generous research funding in exchange for exclusive patent licensing rights; a chance to see distance courses for a profit; or a lucrative contract with an apparel manufacturer offering cash and free athletic uniforms in return for having players display the corporate logo. University officials naturally welcome the prospect of new resources that can help them fund a promising program or close a looming deficit. They eagerly investigate the opportunity and calculate the returns it will bring. Only with these benefits in mind, do they start to give serious thought to whether the proposal raises serious risks to academic values. By this time, the dominant urge is to figure out how to organize the venture so as to contain the dangers, allow it to go forward and start the money flowing. (Bok, 2003: 99)

All of this represents a formidable challenge indeed. And with the advent of new technology and the willingness of students to use that technology, the alternative sources of undergraduate and graduate education are no longer constrained competitively by the huge sunk costs associated with campuses. Because many universities have pursued outreach initiatives and continuing professional education to supplement their income, this challenge cannot be ignored.

A cursory review of the articles appearing in the October 29 issue of The Chronicle of Higher Education will serve to underscore the ways in which universities are hard-pressed and are contending with increased external pressures. The front page has articles on:

• Public Colleges see a 10% rise in Tuition for 2004-05: Rates also increase at private institutions and community colleges. Public four-year colleges have the highest increase.
• Big Money on Campus: Tax documents show that most revenue in college sports flows to the richest conferences
• The Malls of Academe: Some colleges find that old shopping centers are convenient, inexpensive venues for expanding their campuses
• Can Video Games Convert Voters? A Georgia Tech professor who designs the software says it will soon be a campaign staple
• Community Colleges’ Future: A special report examines the issues- money, identity, leadership, and more- that two-year institutions face today
• Clouds on Astronomy’s Horizon: Local opposition threatens hopes to build the next great telescopes on Hawaii’s Mauna Kea
Inside the same issue under the heading “Technology Threatens Colleges with Extinction, Ex-President Warns”, James Duderstadt, former president of University of Michigan, is reported as addressing the Educause 2004 conference with the warning “… the future of colleges and universities was more than uncertain in the digital age—it might be downright threatened. He quoted the business guru Peter Drucker as saying that campuses will be ‘relics’ in 30 years. Mr. Duderstadt also cited Frank H. T. Rhodes, president emeritus of Cornell University, as having said that colleges in the digital age are like dinosaurs looking up at the incoming comet.” (Chronicle of Higher Education, October 2, 2004, page A34)

Finally, in this same issue there is an article that describes the University of Michigan’s student run Wolverine Venture Fund which has “reaped more than $1 million in profit on its $250,000 investment in a company, IntraLase Corporation that makes short-pulse lasers, which are useful in Lasik eye surgery. This is a typical example of the many business-science joint ventures that are found increasingly at a variety of universities. More and more universities are following the early example of Stanford from the late 70s when Herbert Boyer, a molecular biologist doing gene-splicing research helped found Biogen, one of the most successful biotechnology companies. The Ewing Marion Kauffman Foundation has provided grants to support a Life-Sciences and Entrepreneurship Consortium that is housed at the University of South Florida.

Consider the following other items from various issues of The Chronicle of Higher Education over the last three months. Congress has put a hold on the Higher Education Act and will not renew it this year. There is a movement among Community colleges to become four-year degree granting institutions and to become more entrepreneurial. A Republican senator threatened to introduce national legislation restricting increases in tuition in an attempt to thwart the ever-increasing cost of a college education. The University of Georgia was engaged in a startling confrontation with its own foundation over the termination of a former coach that resulted in the foundation temporarily withholding a significant portion of the president’s salary. Colleges are spending more on their Washington lobbyists than defense contractors. [Special note: in the October 22 issue of The Chronicle of Higher Education in an article on “Lesser-Known Public Colleges Increase Federal Lobbying” Western Michigan University is listed as spending $148,500 on contract lobbyists, not including their spending on their own lobbyists, resulting in $3-million in earmarks in the appropriations bills for the 2004 fiscal year, including $2-million for a nanotechnology research and computation center.] Population growth in several states are turning “safe” universities into selective institutions and making open admission an illusion. The issue of stem-cell research has become a political football. Proposition 71 in California, which passed last week, will establish a $3-billion dollar research initiative on embryonic-stem-cell research with the strong support of the Republican governor, Arnold Schwarznegger.

These entrepreneurial initiatives involving the life-sciences and engineering represent a relatively easy adaptation by units of the university that have long had connections with the market place. The real challenge is to create an entrepreneurial spirit in the liberal arts disciplines. Recognizing that many entrepreneurs come out of the liberal arts rather than business, the Kauffman Foundation has award grants to the College of Charleston to create a Consortium for Liberal Education and Entrepreneurship. The second meeting of approximately twenty-five institutions in the consortium will take place next week on the College of Charleston campus.

In South Carolina the last three governors have urged all state universities to direct more effort toward establishing programs and engaging in applied research leading to economic development. At least one, former Governor, David Beasly made derogatory comments about the “liberal arts” and specifically encouraged the development of more professional programs.
designed to meet state needs. The current Governor, Mark Sanford, favors a board of regents in order to gain greater control over expenditures in state colleges and universities by imposing cost-saving measures. The College of Charleston, a public liberal arts college, received a special appropriation including funding for two faculty positions, to develop a new program in Hospitality and Tourism Management to help compensate for the departure of Johnson and Wales University (a culinary school) to Charlotte, North Carolina. They also made a direct appropriation to the local technical college to create a culinary arts program to support the local tourism industry, which is vital to the economy of South Carolina. The state lottery is used to fund scholarships and to fund technology in all state colleges and universities. Legislators see the lottery as a means of independent funding of higher education that puts education dollars directly into the pockets of their constituents- something that is preferential politically to funding the institutions directly. A performance budgeting process was enacted several years ago to enforce greater accountability and re-direct institutional priorities. Clemson University has created a new “automotive campus” devoted to research in automotive engineering in response to calls for the universities to become “economic drivers” within the South Carolina economy.

As a result of being in a precarious financial situation, universities often are required to respond positively to politically inspired initiatives or to embark on courses of action that include taking risks for the sake of possible new sources of revenue that lie outside the normal range of university activities. Some of these risky new ventures are reasonably consistent with traditional university values (e.g., the pursuit of basic research and community service) and some are not (e.g., overemphasis on applied research and new business ventures that stretch the mission of the university beyond its normal reach). Of real concern is the extent to which the internal culture of the university is being changed by virtue of the pursuit of resources without sufficient care about the impact these new ventures may have on the core values of the academy. Related to this is a concern about the extent to which the priorities of the university may be misaligned as a consequence of the need to increase revenue and diversify the sources of that revenue.

The huge investment that universities make in competitive athletics continues to present major challenges to university leaders. I won’t analyze this particular problem, except to note, following Derek Bok (2003), that athletics takes resources away from the core academic mission- athletic programs, with rare exceptions, are not profitable. They lose money that could be spent for other purposes. This reality presents serious challenges to university presidents and to the governing organization, the NCAA. However, college athletics is perhaps the most sacred of the “sacred cows” and few presidents have the ability to significantly change the allocation of scarce resources to athletics except at the margins. Bok (2003: 51-2) cites the former president of the University of Michigan, James Duderstadt, who observed: “The mad race for fame and profits through intercollegiate athletics is clearly a fool’s quest.”

The purpose of the university has been variously understood, but there are several core aspects that anchor most institutions of higher learning. At the heart of the university is the quest for knowledge and the dissemination of that knowledge. Historically, the culture of the university was a collegial culture dominated by the faculty and their pursuit and dissemination of knowledge through research and teaching. Over time, a managerial culture arose to deal with the growth and complexity of the evolving university. In most universities a developmental culture that is attuned to the personal and professional growth needs of the university family emerged and with it came a focus on faculty and student development. And in universities where unions exist and in others where the managerial culture embraced a social agenda, a negotiating culture emerged that sustained the goals of equitable and egalitarian policies and sought to create more
“liberating social attitudes and structures.” (Berquist, 1992: 5). An entrepreneurial culture must be adjusted to interact positively with these existing sub-cultures of the university.

The Entrepreneurial University: What is it?

Burton Clark, in a landmark study of entrepreneurial universities in Europe, defined the entrepreneurial university as follows:

“Entrepreneurial” is taken in this study as a characteristic of social systems; that is, of entire universities and their internal departments, research centers, faculties, and schools. The concept carries the overtone of “enterprise”—a willful effort in institution-building that requires much special activity and energy. Taking risks when initiating new practices whose outcome is in doubt is a major factor. An entrepreneurial university, on its own, actively seeks to innovate in how it goes about its business. It seeks to work out a substantial shift in organizational character so as to arrive at a more promising posture for the future. Entrepreneurial universities seek to become “stand-up” universities that are significant actors on their own terms. Institutional entrepreneurship can be seen as both a process and outcome.” (Clark, 1998: 3-4)

Clark’s definition underscores the fact that the decision to become “entrepreneurial” is made for the purpose of regaining some of its lost autonomy and ability to choose its own fate. This desire for a greater degree of independence— from external political and economic sources that would seek to direct the university—represents the “high road” for the entrepreneurial university. Becoming entrepreneurial in this view is intended to help the university maintain control over its mission and core values, while changing its way of doing business in some fundamental ways. Rather than being “dependent” upon traditional funding sources, it seeks to chart its own course and generate more of its own resources. The goal is to become financially independent of state appropriations. Ideally, an entrepreneurial culture will help universities to generate reserve funds that can offset unanticipated declines in state revenues.

One of the most distinguishing characteristics of the entrepreneurial university involves a fundamental change in the role and responsibility of the individual faculty member to become an entrepreneur and for the university to support such individuals. As Duderstadt and Womack (2003: 125) observe:

In most colleges and universities the professorate expects others to generate the resources necessary to support their teaching, research, and professional activities. Although faculty entrepreneurs are essential in generating the resources needed for quality education and scholarship, in many institutions these individuals are held in low regard by the rank and file. The awards of the academy most often go to those who behave in traditional roles, depending upon others for their existence and not seeing themselves as having a responsibility to bring resources to the institution. Yet it may very well be that the most vibrant universities of the future will be institutions with faculties who are deeply engaged in the economics of education. The most productive scholars would be rewarded for that effort, and those rewards would encourage other able colleagues to follow.

This sort of culture change will not come easily. Indeed, introducing the idea and practice of entrepreneurship into the university may mean adding an additional culture to those already present. Following Berquist’s typology of the four cultures of the academy, we cannot find entrepreneurship clearly within any of the four: collegial, managerial, developmental, or negotiating. (I have attached definitions of these four cultures in an appendix.) An entrepreneurial culture would put a high value on innovation and creativity and would encourage the design and implementation of enterprises that can generate revenue, thus creating more and more components of the university that would become “tubs on their own bottoms”- i.e., self-sustaining with regard to resources needed to enhance the teaching and research activities of those units.
And where do we find examples of the entrepreneurial university? Some of the best examples exist in the United Kingdom and Europe. Burton R. Clark, an eminent student and scholar of higher education practice, was funded by the Mellon Foundation and the Spencer Educational Foundation to study best practices in innovation at five European universities that are engaged in risk-taking, entrepreneurial strategies to address the problems referred to above. His study, Creating Entrepreneurial Universities (1998) is well worth reading. I will cite only one example to give the flavor of how these five universities have broken with tradition and embraced entrepreneurship. Warwick University in the United Kingdom had cut its budget to the quick and did not have the option of increasing its tuition to help meet its financial needs. The university leadership made a different choice. "What Warwick turned to instead was an earning scheme within which various parts of the university- some old, some new- could be permanently put in a posture of paying for themselves and generating an annual surplus that could be used by the entire university. The idea became 'an earned income policy....' The idea of earned income was given organizational footing as it developed hand in hand with the creation and growth of a number of units at Warwick that were to compose an enlarged developmental periphery. Foremost in its unusual nature as well as its contribution to earned income has been the Warwick Manufacturing Group (WMG), set up in 1980 and directed ever since by a charismatic professor, Kumar Bhattacharyya, in the university's engineering department...." (Clark, p. 17) Clark goes on to describe a hugely successful conference center, science park, and to review leadership and management practices that have made these ventures successful. And then he discusses what, for our purposes, may be the most interesting aspect of this "earned income policy" - - the stimulated academic heartland. "Entrepreneurship has not been left to a few subject areas such as engineering and business, and only to a managerial group dedicated to earning income, but has come to characterize virtually all academic fields. Four features reveal much about the involvement of core academic units: the melding of periphery into the core; the extensive building of research centers under departments; the construction of a university wide graduate school; and the introduction of an imaginative and highly attractive research fellowship scheme that reached across the campus." (Clark, p. 27) He goes on to describe initiatives in the social sciences, humanities and the arts. "The entrepreneurial spirit shows through in these departments and centers. For example: the head of theatre studies, Professor David Thomas, reported in an interview that he was a 'happy opportunist' who came to Warwick because it 'had an entrepreneurial feel about it.' He takes experimental performances- undergraduates may be included- out to international festivals and audiences, raising money as he goes, while training 'cultural administrators' in advanced programs in a 'research-led department.' With self-funding courses, the department is basically self-supporting: it 'washes its own face.' (Clark, p. 28) Other examples exist at the four other universities Clark studied.

The Association of American Colleges and State Universities (AACSU) recently published a list of entrepreneurial universities with descriptions of some of their activities. I have appended this document to this paper. Incidentally, Central and Eastern Michigan University both self-reported
themselves as entrepreneurial universities. One of the most important aspects of introducing entrepreneurship to the university is the potential of connectivity between the long-standing social goals of the university with “social entrepreneurship.” J. Gregory Dees of Stanford (2002: 5) defines social entrepreneurship as follows:

Social entrepreneurs play the role of change agents in the social sector by:
• Adopting a mission to create and sustain social value (not just private value),
• Recognizing and relentlessly pursuing new opportunities to serve that mission,
• Engaging in a process of continuous innovation, adaptation, and learning,
• Acting boldly without being limited by resources currently in hand, and
• Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.

Let me provide an example of such a venture. This past Saturday I spent the day with a diverse group of individuals who share a common interest in making Charleston a destination for writers and poets—making Charleston a literary center. Representatives from a variety of non-profit organizations, including the National Poetry Society, the South Carolina Writers Group, as well as leaders of “The Loft” in Minneapolis-St. Paul and the Juniper Initiative in Amherst, Massachusetts, met with representatives from the Cultural Affairs Office of the City of Charleston and the College of Charleston to brainstorm how to create this environment for writers in Charleston. What we envision is an entrepreneurial venture using a property provided by the City of Charleston to house a writing center, Literary Coffee Shop, and a Charleston authors bookshop specializing in autographed copies of works by local authors. The College of Charleston, the City of Charleston, and various non-profits would support the venture. Writers could rent apartments and loft studios at highly competitive rates and provide readings in the coffee shop. A local restaurant group would donate their resources and experience to design a business plan for the coffee shop and students in English and Business from the College of Charleston would manage and staff the coffee shop. The City would derive rent, the College would derive a revenue stream for our Foundation and the non-profit groups would have a vibrant meeting place. If successful, this venture could eventually result in the establishment of an MFA degree program at the College of Charleston.

It is in the area of “social entrepreneurship” where liberal education and civic engagement come together with an entrepreneurial culture to create new added value to communities through interdisciplinary collaborations between the university and the larger community to find solutions to pressing social problems and to create opportunities for cultural enrichment. When universities engage their faculty and students in social entrepreneurship they are actually being true to their traditional values. This type of entrepreneurship differs from the corporate culture and helps to avoid the intrusion of “globalization” into the university’s educational mission.

Yet another example of entrepreneurial activity that is already being replicated is found in a recent article in The Seattle Times—“Colleges offer retirees place to live, learn.” Several universities are engaged in creating retirement communities that provide a needed social service while simultaneously creating a stream of revenue and opportunities for students to have internships and become engaged in their community.

“...[S]chools from UW to Stanford University and Penn State are responding [to longer life spans] by building senior housing through campus retirement associations and outside developers. National organizations say about 60 such centers, with varying degrees of nursing
care, operate across the country....The relationship is simple and symbiotic: Universities offer personal growth and stimulation to retirees. Nursing and gerontology students get hands-on exposure to an aging population, and alumni associations build a faithful base of donors at their doorstep.” And these retirees provide audiences for a wide variety of university programs and performances. Many report that they are very engaged with the university, especially when they are alumni.

The Argument:
In order to advocate an entrepreneurial response on the part of universities, the following conditions would have to exist. First, the traditional sources of financial and public support for the university would have to be imperiled. The fact is that the university is no longer insulated from the market, but is subject to market pressures in a variety of ways. This clearly seems to be the case as documented in many of the references cited in this paper. State support has steadily declined and federal support is increasingly difficult to obtain, requiring prodigious efforts at lobbying to secure “pork” for the university.

Second, the existing capacities of the universities to generate alternative resources would have to be inadequate. As evidenced by the difficulties encountered by universities relying on old methods would suggest, this is true. Tuition increases can no longer be counted upon to automatically offset declining state revenues.

Third, there would need to be evidence of successful entrepreneurial strategies that have created new sources of revenue for universities. The research conducted by Clark (1998) and Slaughter and Leslie (1997) and others (AACSU) provide numerous examples of successful entrepreneurial universities. Add to the above the reality that globalization and the new challenges of for-profit and corporate educational alternatives to traditional universities have created a new environment that challenges universities to innovate invites the use of entrepreneurial strategies.

The Rewards:
Entrepreneurial universities (EUs) are better positioned to chart their own course by virtue of their greater financial independence.
EUs are able to be more responsive to opportunities in the environment.
EUs are able to show how they have become more accountable to their stakeholders.
EUs are able to become “learning institutions” (see Peter Senge, The Fifth Discipline)
EUs can empower all faculty and staff, potentially, to be more responsible for meeting their own needs
EUs can create unique opportunities for students in all disciplines and professions to prepare themselves for employment upon graduation.
EUs may further the agenda for “social entrepreneurship,” thus furthering public good.

The Risks:
EUs may privilege certain elements in the university (e.g., schools of engineering and business) for whom an entrepreneurial culture comes more readily.
EUs may lose sight of core values while vigorously pursuing the value of financial independence
EUs may be so successful that they encourage further erosion of state support
EUs may jeopardize the possibility of serendipity in basic research in favor of applied research
EUs may create an enhanced and empowered “managerial culture” instead of a pervasive entrepreneurial culture
EUs may succeed at creating traditional entrepreneurial ventures and fail to stimulate "social entrepreneurship."
EUs may create an underclass of faculty in the arts and letters (humanities) who find far fewer opportunities to engage in entrepreneurial ventures.
EUs may be too responsive to the “market” and to outwardly directed relative to their self-defined mission, thus devaluing the traditional educational mission in favor of opportunistic forays into the marketplace.

A possible strategy for maximizing rewards and minimizing risks:
How can we avoid the pitfalls/risks that face EUs? One obvious area is leadership of the universities. We must exercise great care in the selection of university leaders, ensuring that they understand the potential risks. I would suggest that we must also draw upon John Rawls theory of justice to help guard against potential abuses. Rawls offers the “difference principle” as a protection against inequalities that run counter to the public good. According to the difference principle, inequalities may be permitted only in so far as they provide an advantage to the least advantaged. Typically, most universities have policies that accrue centrally some portion of the overhead from grants. That overhead can then be reallocated to meet financial needs elsewhere in the university. A similar model could be established for the distribution of “profits” generated by successful entrepreneurial ventures undertaken by the university. Furthermore, the university, given proper leadership, can institute policies that reward entrepreneurial activity, but set limits on differential salary structures, thus protecting the parts of the academy that are less successful in generating additional income and profits.

Entrepreneurial Culture and the Traditional Academic Culture of the University

An entrepreneurial culture is not the same thing as a corporate culture. The latter is based more on the “managerial culture” identified by Berquist. The infusion of a corporate culture and the intrusion of the market would clearly establish a new hierarchy of values for the university and would, as Bok (2003), Gould (2003), Kirp (2004) and others have shown, corrupt the traditional values of the university. By contrast, an entrepreneurial culture—especially one that validated “social entrepreneurship”—would emphasize an institutional commitment to innovation, creativity, collaboration, service, and civic engagement while also encouraging the pursuit of ventures that increase the resource base of the university. It is important to recognize the difference between these two cultures. The goal of the consortium for Liberal Education and Entrepreneurship is to provide a supportive organization structure to allow for the sharing of information and experiences among institutions that are seeking to diffuse an entrepreneurial spirit throughout the university—not just in the business school. Indeed, entrepreneurship studies have not always been well received in schools of business precisely because entrepreneurs are very different from managers and the knowledge, behavioral repertoire, and skill set for an entrepreneur is very different from the training and technical knowledge associated with business school curricula. Entrepreneurship is inherently interdisciplinary and multidisciplinary. Of course, entrepreneurs need business plans, but they also need critical thinking skills, quantitative and analytical reasoning skills, holistic thinking, communication skills, and vision. Entrepreneurs create organizations and thereby add value to the community—economic value to be sure, but also socio-cultural and sometimes aesthetic value as well. Managers play a functional role within complex organizations. There is a huge difference.

An entrepreneurial spirit encourages creativity and innovation and builds empowerment into the university. Faculty and staff begin to consider that they have a responsibility to create resources, not just to claim the existing resources of the university. As evidenced by the large number of
entrepreneurs who make generous gifts to universities, the affiliation of entrepreneurs with universities represents a viable alternative to corporate gifts. The university needs all three—corporate gifts, entrepreneur benefactors, and their own entrepreneurial ventures—if they are to generate the revenues they need to carry out their existing missions and to expand into new areas.

Conclusion: It’s All About Leadership and Communication

A theme that emerges in the literature I have reviewed about the university and markets, capitalism, and corporations is that faculty are largely ignorant of the financial realities of their universities. Whether faculty choose not to be well-informed or they have been paternalistically protected from having to be burdened by the tremendous challenges that universities face, the downside is that the faculty with their “collegial culture” are far less well informed than they should be and accept very little responsibility for initiating changes to strengthen the university. We cannot afford to have an ignorant faculty mounting resistance to what is perceived as a life-threatening challenge to their time-honored ways. Given the real potential for the university to abandon its mission or lapse into “mission-creep” in order to meet its financial needs or to embrace strategies (e.g., increased use of adjuncts; cutting financially non-productive programs; rushing willy-nilly into new ventures that redirect the institution from its mission), it is essential that the core stakeholders all be aware of the challenges and the choices that will be made to meet those challenges. Those stakeholders most certainly include the faculty. Faculty need to be educated to the realities of operating an institution of higher education in the 21st century. They must be involved in strategic planning and budgeting and become fully engaged with the administration and the governing board in deciding how the university will manage its scarce resources. Faculty must understand that their own values and preferences (e.g., for research, disciplinary specialization and graduate education, small classes) may not be possible for the university to the same degree as demands for accountability and shrinking financial support reduce the universities’ ability to “stay the course” with missions defined in the 70s. Faculty must not remain behind a Rawlsian “veil of ignorance.” As William F. Massy notes: “To discharge their public obligations embedded in their value functions, universities must have enough financial strength to balance mission with market. While competition spurs institutions toward production efficiencies, too much of it drives mission out of their decision-making entirely.” (Massy, 2004: 32)

One of the major responsibilities of the faculty as a collective body must be to maintain focus on the mission and on their responsibility to govern curricula that reflect the best combination of general education, study-in-depth (the major), and electives designed to meet the needs of students in these turbulent and troubled times. They must guard against those forces (principally the market) that have the potential to polarize the faculty and create a well-defined hierarchy of faculties with rank based on ability to produce resources for the university. Massy reminds us that there is a New Golden Rule. “Those with the gold rule.” If it becomes true, then some faculties, especially in the humanities and social sciences, will become politically marginalized within the university and the undergraduate curriculum will suffer accordingly. This danger is well noted by Gould (2003) and Slaughter and Leslie (1997) and Duderstadt and Womack (2003).

In my view, it is the faculty in the humanities, arts and letters, and social sciences that have the most to lose. Therefore, they must begin to think creatively about how to maximize their value and reduce their dependence on other areas within the academy that are capable of adapting more readily to market and financial pressures. Becoming entrepreneurial about their work is one way
in which they can begin to increase their capacity to leverage resources within the university. Whether through increased grant activity, innovative pedagogy and rededicated attention to undergraduate education, active leadership in faculty governance, or any other means at their disposal, they must become fully engaged in the determination of their own fate within the university.

Those former presidents whose works have been cited in this paper, including Derek Bok, Frank Rhodes, and James Duderstadt, all realize the role of the president and his or her leadership team is central to the successful future of today’s universities. The creation of strong leadership teams that engage the faculty, administration, governing board, and other key stakeholders and constituencies (e.g., alumni) is absolutely essential if the university is to maintain its core values, fulfill its educational mission for the public good, and attain a new kind of financial vitality. One of the routes to the latter may well entail becoming more entrepreneurial. But it must also reflect a determination not to become merely another type of corporation.

REFERENCES


