

# **The niche institute strategy - the way out of economic crisis for Greek higher educational institutions: the case of the Technological Educational Institute of Western Greece**

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**ABSTRACT:** This article is an attempt to analyse and evaluate the effects of the current economic and social crisis in public tertiary education in Greece. It concentrates on the opportunities and challenges that might arise from the complicated situation for the sector within the framework of a vulnerable economy, taking into account the recent restructuring initiatives that have been instigated by the Greek government. To repay its debt, Greece must succeed on two fronts: the country must become more competitive and more productive. To cope with the above targets, it is imperative that it proceed rapidly with structural changes, which are expected to bring back the country to sustainable development. Within these changes, public tertiary education has a unique opportunity to re-establish its role of forging a link between academia and industry, and to re-position tertiary education in the new environment. The article analyses the case study of the newly founded the Technological Educational Institute of Western Greece, established by merging the Patras and Messologi technological institutes.

## INTRODUCTION

High quality education and training are essential if Europe is to make a speedy recovery from the most severe economic and financial crisis for 50 years. Qualified people with the right skills can boost the European Union's economy by leading innovation and improving competitiveness. However, as a result of the financial and economic crisis, public finances in all member states are under great pressure. Governments are seeking ways to reduce budget deficits and manage public debt without dismantling the foundations of sustainable growth. While no direct link can be established between the level of funding of the education systems and students' learning outcomes, there is a general understanding that investing in high quality education and training should continue to be a priority.

The Greek government's debt crisis is one of a number of current European sovereign debt crises, and it was triggered by arrival of the world economy recession in October 2008, and is believed to have been directly caused by a combination of structural weaknesses in the Greek economy along with a decade-long pre-existence of excessively high structural deficits.

In late 2009, fears of a sovereign debt crisis developed among investors concerning Greece's ability to meet its debt obligations, due to a reported strong increase in government debt levels. This led to a crisis of confidence, indicated by a widening of bond yield spreads and the cost of risk insurance on credit default swaps compared to the other countries in the Euro zone, most importantly Germany [1].

The Greek economic crisis is markedly different than the global one since it is the public sector that is at the root of the problem both in financial and social terms. Papadakis argues that Greek fiscal crisis is the outcome of a combination of debts and fiscal deficits and it was accelerated by the corruption of the bureaucratic political system [2]. Greece funded its deficits by borrowing in international capital markets, leaving it with all-time high external debt (115% of GDP in 2009 to 165% in 2013). Economic growth has been negative for the last four years but a slight reversal is expected in 2014. Unemployment is officially projected to rise, exceeding 25% mainly in the age range of 25-35 year-olds. There is strong evidence that the level of *black labour* is extremely high due to the high social security contributions required of employers.

The situation has improved drastically in the last two years due to heavy budget cuts based on a long term restructuring programme that has been agreed with the European Union and the International Monetary Fund (IMF). A lengthy austerity plan and a fiscal consolidation plan have been in place for three years now. The austerity measures include tough adjustments by lowering public expenditure and this has had severe implications for tertiary education. The main issue currently is: what kind of productive model and what standard of tertiary education is envisaged for Greece at the present and in the future?

It is widely agreed that education is the most effective means that society possesses for confronting the challenges of the present and the future. Education would shape the society of tomorrow.

## THE CHARACTERISTICS OF GREEK TERTIARY EDUCATION

The Bologna Process and the Lisbon Strategies, the creation of the EU Council for Research, the EU Higher Education Area, and the offer of stimulus packages for research are the main research resources for Greek institutions. It is apparent that traditionally governed Greek higher education institutions (HEIs) cannot easily compete due to very limited funding (<2% of GDP allocated to HEIs).

The education system in Greece is a top-down, highly centralised operation. Competition amongst Greek HEIs is not based on outcomes of research or excellence in teaching, but on preference by students and staff to HEIs located in the major cities rather than those in small cities. This also led to finance being unequally allocated. The provincial HEIs responded by establishing programmes (departments) financially subsidised by EU Social Funds in small towns. International HEIs are also preferred as calculations show the living cost of a four or five years course in a Greek university at a city other than the student's family residence exceeds the cost of attending a provincial university, say, in England, which grants the same degree in three years or in a private college (franchisees as well). The higher academic or quality rank of a foreign university contributes to the student's choice as well [3].

Higher education has been placed at the centre of public debate as a result of the 2008 financial collapse and the ongoing economic crisis. The main thrust of this debate centres on a re-justification of the role of higher education and a redefinition of its funding relationship with government. The author thinks that more important is the longer-term impact of the economic crisis on higher education macro planning and policy. The economic crisis has legitimised the long-existing argument that higher education should be treated the same as any other service in the economy and, as such, should be subject to ever-more accountability and managerialist practices. It is important to note that all this has come about in a period when financial liberalism has dominated policy-making globally. As a result, higher education policy has entered a phase of extreme rationalisation with an emphasis on *cutting excess fat* and *balancing the budget*.

## THE AUSTERITY MEASURES AND THE IMPLICATIONS FOR HIGHER EDUCATION

In Greece, just as in much of the EU, the expansion of higher education was a policy priority for much of the past two decades. Across much of the political spectrum, there was an agreement that it was a *good thing* to have more institutions of higher education and a high percentage of each age cohort progressing to university. It was believed and supposed that increases in the *human capital* of a society would, in turn, lead to economic prosperity. As a result, the percentage of 18-21 year-olds in higher education in Greece rose from 28% in 1996 to 60% in 2005.

When the financial crisis erupted in 2007-08, rapidly turning into a global economic recession, and a fiscal crisis in the Euro zone and other countries, it was very difficult to predict its impact on education. Data for the years 2008 and 2009 showed that in the first years of the crisis, the impact on education remained limited and was confined to countries in severe crisis, such as Ireland, Iceland and Greece. Education is generally protected from shocks to the economic system because of its intrinsic slow pace of change. Individuals and families did not drastically alter their patterns of participation in education; and in the first years of the crisis, governments used stimulus packages and deficit spending to try to soften the blow, leaving education budgets more or less untouched. But one knows that things started to change dramatically from 2010 onwards, when unemployment - especially among youth - climbed steeply and governments moved into austerity mode.

A great deal of the economic and social hardship caused by the crisis fell on less-educated individuals. The unemployment gap between well-educated young people and those who left school early widened during the crisis. On average across OECD countries, 5% of those with a tertiary education were unemployed, against 13% of those without an upper secondary education. The Greek crisis due to a large deficit led to severe public cuts that affected both current finance of HEIs and also the already agreed by the state and running 4-years plan. These cuts include:

- 17% per year cut of staff salaries (academic and administrative);
- new tenure posts have been cancelled and many currently offered were withheld mainly because of the new structure of tertiary education;
- retiring administrative staff are replaced only at a ratio of 1 to 5, resulting in a staff to student ratio of 1 to 200;
- cancellation of postgraduate courses that are not fully and externally financed, with the future of at least the *non-standard* undergraduate programmes is at stake with many departments/degrees to be wiped out.

## HIGHER EDUCATION FUTURE TRENDS

A major shift in higher education governance is the emphasis on the *4Es*: *efficiency*, *effectiveness*, *employability of graduates* and *economy*. Efficiency refers to obtaining more outputs with fewer inputs while avoiding delays and it is emphasised even more during times of financial constraint. There has been significant pressure for HEIs to become more efficient and responsive. Effectiveness is the achievement of set objectives and desired outcomes at minimal cost.

Therefore, the universities having to operate in a new competitive environment, they also operate with a shortage of public funds and are seeking alternative sources of funds. This is causing HEIs to make major organisational changes to be financially more self-sustaining and maintain their educational programmes focusing on the main expectations to improve the employability of graduates using the available resources wisely.

The OECD's Centre for Educational Research and Innovation put forward four possible management models for higher education:

- *Open networking*: higher education is internationalised and involves intensive networking among institutions, scholars and industry.
- *Serving local communities*: higher education institutions are focused on national missions.
- *New public responsibility*: higher education is primarily publicly funded, but with greater focus on the use of *new public management* tools, including market forces and financial incentives.
- *Higher education Inc.*: higher education institutions compete globally to provide education services and research services on a commercial basis [4].

#### Niche Strategy for the TEI of Western Greece

Many world leaders and funding agencies argued in favour of protecting the education sector from the shocks of the crisis. Further, many governments felt that investing in science and technology subject areas is a good strategy for fighting against the crisis. It can be argued that while education was seen as a liability for public investment in past crises, it has been seen as a solution during the present crisis period.

Two factors seem to reduce the adverse effect of the crisis in higher education and to promote an effective and prospective higher education. The fear and incidence of unemployment encouraged many to enrol in institutions of higher education to improve their skills. Since the alternative to enrolling in higher education institutions was to remain unemployed, the real cost of higher education must be forced down. The widespread expansion of higher education through private institutions' courses required urgent action by the public institutions for the low income students. It is the duty of the educational leaders to provide effective and quality studies by employing the correct strategy.

Strategy theory talks about capabilities and how to develop them. Basically, higher education organisations need something that will set them apart from the rest of the competitors. Done correctly (differentiation), the organisation will start to perform excellently. Strategic management is about coordinating activities related to the delivery of value to customers in a way that is not only supportive of success but also different from the competition [5]. Mintzberg connected organisational structure with performance and it can be seen as a part in the resource-based view [6]. Based on the fact of limited investments for the public HEIs, a suitable policy to cope successfully with the new circumstances is much needed.

The Technological Educational Institute (TEI) of Western Greece has a series of challenges to face. The Institute is the result of a merger between the TEI-Patras and the TEI-Messollogi, which means that two different organisational cultures must be made uniform. The the new institute is located in six towns and in this situation, it is extremely difficult to create the new *culture*. People select the *culture* they feel comfortable with and that which sustains their identity and supports their values [7].

The literature provides different schematic models of higher education governance including: the collegial, the bureaucratic, the organised anarchy model, the professional bureaucracy one, and more recently the entrepreneurial university, the enterprise university model and the corporate/managerial university [8]. Taking into account the particular problems and challenges it must face, the TEI of Western Greece has to follow an innovative model of governance.

The proposed model by the author is a combination of *Serving Local Communities and New Public Responsibility*. The proposal by the author is based on the fact that it is embedded in local and regional communities, and is dedicated to addressing local economic and community needs in their teaching and research. Also, it is mainly publicly funded and administered. Academics would continue to be treated as trusted professionals and have control over the education and research processes. The Institute is autonomous and takes advantage of foreign education markets, the patenting of their academic research and their growing financial links with industry to diversify its funding sources.

The adoption of the above model is the only solution under the financial and social crisis implications, which is expected to contribute towards the improvement of the Greek economy's competitiveness:

1. The increasing reliance on competition in HEIs encourages the use of new forms of regulation and governance. Traditional governance structures that rely on bureaucracy and collegiality are considered suitable for dealing mainly with routine issues and, therefore, the question of whether higher education governance needs to be restructured is largely moot. The issue is not if, but how governance should be restructured. Governance restructuring is a change activity in which organisation's governance is redesigned because it is perceived to be misaligned with its environment as in the Greek case [9]. The new law for the tertiary education gives all the tools for a new era of governance in HEIs.

2. It can be extremely uncomfortable to be inside a cultural climate which alienates people. Tensions are surely inevitable. Academic leaders must create the new culture based on accountability and high quality and an efficient institute. The strength of organisational culture actually delineates what is permitted and prohibited within an organisation and can be assessed by evaluating the extent to which an individual directs his/her own behaviour according to the organisation's norms and values [10]. This cultural climate is orchestrated by the particular mission, vision and the degree of strategic freedom devised by the HEI's leadership. This will lead to the identity of the TEI of West Greece being formed. It is leadership responsibility to emphasise its distinctiveness and maintain a clear identity, thus, attracting more students, staff, funding and collaboration opportunities, as well as potential partners.
3. Based on the six towns, which house the TEI of Western Greece, it is obliged to be supportive of achieving a development path for the local communities. The above given situation sets a challenge to use the latest available technology for communication and management. Technology is cheap, and the only thing needed is personnel training. The use of incentives to shape particular outcomes desired for the local communities is increasing. These will allow the TEI of Western Greece to set its own direction. The shift towards demand - led higher or vocational course design and funding, as well as the necessary progressive deregulation of student number controlled by the state will open the TEI of Western Greece to local communities' need for competitiveness.
4. Develop strong relationships with local businesses provided with highly educated workforce. It is the only way to face in long term the high rate of the unemployment in Western Greece and to raise the growth of Greece. A well-controlled traineeship (funded by the state, the EU and businesses), will provide businesses with enough personnel and ample time for transforming a rookie into a professional aligned to business requirements.
5. Provide advanced training programmes and services for local enterprises to keep their personnel updated. The cost of such programmes can be easily kept at a minimum since the campuses, technology, and academic and professional personnel are already in place. Services, such as technology and knowledge transfer are essential factors for local R&D.
6. Try to highlight the particular competitive advantages of each area through common research projects. Bonding relations with international bodies in certain disciplines will enhance these projects. But, at most, this is all about quality. This means maintaining the right intellectual mix and capacity to develop research, transfer knowledge into practical outputs and maximise transformative impact, and capitalise on complementary actions. Advanced technology creates new ways of learning and teaching and creates new industries, which in turn, require new types of skills and specialised personnel. By these actions, a major result of the economic crisis problem is addressed as well: the so called *brain drain* effect. An increasing number of highly educated technical professionals and doctorate holders leave the country. Since the cost of their education was covered by the taxpayer, the brain drain effect is a real haemorrhage with multiplicative effects. The niche university proposal may reverse this bleeding at the local level.
7. Accountability is the second target of the *New Public Responsibility*. Society wants managerialism in higher education and the allocation of authority, responsibility and resources within institutions. But, this differs substantially among regions, nations and institutions [11]. This suggests that changes occurring in educational organisations, although sharing some defining parameters globally, vary greatly across regions, nations and localities. The introduction of impact and other evaluation metrics will be part of research and education assessment. But, the local impact can be measured via employment, business opening, innovation, local growth and industrial rights metrics.
8. The financial sustainability of the system must also be considered. Diversified funding can be established by external funding providers apart from the state and the EU. Such entrants can be businesses, local authorities, individuals, other organisations, etc.

## CONCLUSIONS

The author strongly believes that the value of education increases during an economic crisis. People with good quality education have weathered the economic crisis much better than those with only basic qualifications, as a new study published recently has shown [12].

Those who lack education stand to lose a lot; those who have invested in it can still reap its benefits. For the majority of author's colleagues, the new situation is a threat; for the minority, including the author, is a change to make true our vision [13].

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