

THE HELSINKI SCHOOL OF ECONOMICS

EUEREK case study report

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Jenni Koivula

EUEREK Project

European Universities for Entrepreneurship: their role in the Europe of Knowledge

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1. Baseline data

Helsinki School of Economics was founded in 1911 and nationalized in 1974. The university engages in economics and business research and education. It is the largest institution of its kind in Finland with over 4,000 students. The budget of the university in 2005 was about €36 million. According to its mission description the HSE produces international research of high standard, provides teaching based on research and serves business and society. HSE provides Finnish society with the best and most diverse international environment in Finland for business studies and research. The mission of the university emphasises also close relationship to business producing innovative business expertise that improves competitiveness (HSE 2006). The regional impact of the university is mentioned but not emphasised in the documents of the HSE. Certainly its location in the capital city gives it possibilities to cooperate with numerous other universities and higher education institutions as well as with large companies which are headquartered at the capital area.

Teaching and research are practiced in five departments: Department of Marketing and Management, Department of Economics, Department of Accounting and Finance, Department of Business Technology and Department of Languages and Communication. In addition, research is carried out by the Center for Doctoral Program and by separate research units. Separate units are the Small Business Center which focuses on the development of small businesses and the promotion of entrepreneurship; the International Center of HSE which is known of its MBA-program; and the Center for Knowledge and Innovation Research (CKIR) which has as its objectives to function at the global level, and to be the leading European research unit for knowledge and innovation. The Helsinki School of Economics also has two limited companies, JOKO Executive Education and LTT Research.

The academic degrees offered by HSE are the Bachelor, Master, Licenciate and Doctor of Science in Economics and Business Administration. The Mikkeli Business Campus provides an international degree of Bachelor of Science in Business Administration in English (Mikkeli is a town in eastern Finland 230 km from Helsinki). This programme is carried out mainly by foreign visiting professors. The Open University, JOKO Executive Education, MBA programmes and Small Business Center supplement the studying supply with their open university studies and further education programmes.

Development and changes of mission

The first strategy process at the Helsinki School of Economics was started at the middle of the 1990s and the next one in 2000. According to one interviewee the changes in the written strategy documents are minor but in practice the action of the university has changed very much in the last fifteen years.

Internationalisation is one important goal for the HSE and it wishes to be seen primarily as an international institution. At the middle of the 1990s the university set as its aim to strengthen its position as a recognized European university, committed to developing a global network of relationships. After ten years the university sees that it has realized this vision about a quality school of economics and a European institution on the grounds of good placing in ranking lists, and that it has could attain and renew the essential accreditations of the field and join in visible networks.

We have these international accreditations, we've done well in these different international and European rankings and we've usually been successful quite consistently; we've usually

been placed around the 20th place, or let's say between places 10 and 40, 20 on the average, so, you can say that we've been internationally accredited and this way we're a part of these European networks. As a result, we can say that we reached our first strategic goal in five to six years and now we're planning our next strategic goal. (H5)

This new goal has since 2006 been to be a “world-class school of economics”. The university will produce high-level international academic research, teaching based on research and serve business life and society. The research task has been strengthened since 1990s. According to one interviewee the reason for emphasizing research at the vision of the university is that the history of the HSE was to be a teaching university. The change started only in the beginning of the 1990s.

This was founded in 1911 based on a previous commercial school. The entire history of this school of economics is actually a history of developing the school into a "real" scientific university. When I came here in 1992 this wasn't one. Back then the place had a strong tradition that emphasized the fact that the main function of the school was to train people for needs of the business life, period, that's it, nothing else. Even in the early 90's and mid-90's we had quite an antithesis between the two different views. (H6)

It is seen that the change towards research university began inside of the university. This was partly because of the change of generation but also because the culture has changed. Nowadays you need to have done lot of more research to be a professor than earlier and people making academic career are mostly willing to be researchers.

The culture has changed. It think this indicates how the Finnish system of higher education has matured from the days of rapid expansion and how Finnish science has become more international, even in economics. The level of research is higher than before and in that sense we're now closer to the leading European schools of economics than ever before. (H6)

To attain the goals of research activity, HSE Research was established (2005), which is a network that works as a supportive organisation for research activities and as a brand for the research of the HSE. The network will try to improve research among others by creating incentives and means to advance the careers of researchers. In the autumn 2005 it was also planned that the HSE Research would have an advisory board which would commit itself on the large questions of research task. The board would consist mainly of external research experts and would act as a platform between companies and the HSE. Until now the HSE has had no specified focus areas but the new research strategy changes the situation at the area of research. The HSE concentrates on focus areas which are chosen according to demand and success. In 2006–2009 they are: globalisation and competitiveness; financial markets and services; the information economy; and business networks. But realising the strategy will demand changes in the attitudes of the staff.

Maybe this is more evident in research, the research strategy isn't probably public yet, we're discussing it today for example, but it contains the idea of four of these phenomenon-based things, for example globalization or competitiveness could be one of them, something like the financial market another. The idea then is to prepare research themes, to have three or four of them and to construct research themes within them. If you think about for example globalization, you can research it from the point of view of management, financing or law or something else. The point is to get these people involved in a multidisciplinary way with these themes. I think this is a very radical change. It is a change in attitudes. (H1)

All the people at the university are not satisfied with this kind of thematic arrangement. Creating more coherent approaches is seen difficult from the viewpoint of disciplines. And externally defined themes at the research may be seen artificial.

So we do need this kind of support, researchers are totally helpless with this. Then we also need various integrative functions to be able to show what we actually have here. So in this sense this HSE Research is good, but from what I've heard, it causes these problems, problems that are caused by the fact that they've chosen four themes that the researchers are not interested in. (H3)

Picking up some focus themes means profiling the university. But this may be difficult. There was at the end of 1990s made a decision that the university will not stress any focus areas.

We made this choice, a choice many have said was a bad one, to be a sort of a national institution – as we are the biggest one in Finland – that provides a full range of services. It was a conscious choice when it was made back in 1997. It is stated in the vision quite directly. But, well, to be honest, it isn't possible with these resources. So now, in fact we just discussed this today when we discussed our research strategies, we're trying to focus on some clear focus areas. This is of course very difficult, you'll almost always step on someone's toes. There's a lot of work to be done in narrowing down and finding these focus areas. But of course this has been the policy we've wanted to follow, but the development towards it has been too slow. If you try to be good at everything, you'll end up being mediocre at most things and maybe good at one or two. (H1)

Since the first strategy process a new approach to the teaching has been developed. This has meant change towards programme-based degree structure. One interviewee stated that the dilemma has been to tread a fine line between the scientific world and the needs of business life. The programme-based system particularly means that the Master's and Bachelor's degrees are built up on the grounds of the demands of the business life not on the grounds of discipline-based supply. The degrees will be multidisciplinary education products.

But now these, if we start talking about this education aspect now, and we've really done a lot of work with this degree reform, degrees we provide have been totally reformed and renewed. The market's needs were especially considered in this process, we considered what kind of job descriptions people in the real world have. (H1)

One interviewee saw, referring to the plans of thematic research and programme-based degrees, that the university has tried to create some kind of “group/concern thinking” to the university that different functions would not work separately but according to common targets. Anyway, the programme based reformations have been made in many respects on the basis of the old subject division. Further, degree studies, further education, the companies of the university, separate units and project operations still run apart from each other. The integrating processes between separate activities are weak and it is seen that “we can not solve this dilemma with the administration structures we have, which are juridically possible for us.” (H3).

But we're only just beginning in the sense that these different functions actually lead their own lives, Master's programmes and doctoral programmes are still to a large extent based on their own disciplines. These programme-based changes we've made can't really be seen anywhere. And even they were made from a discipline-based point of view. (H3)

The interviewees see that the strategies of the university and for example the decision to move to programme-based degree structure have been internally driven. The business life can also have influence but the influence of the Ministry of Education is seen weak because its steering is so fragmented. One interviewee introduced another kind of viewpoint: he sees that although universities themselves write the strategy documents, the strategies of the universities in Finland are basically defined already at the state and ministry level and the freedom of action is very little. So you can not see those as clearly enforcing strategies.

I think that in this Finnish system and generally these universities' strategies, I mean these written strategies, have to be viewed differently than the strategies that are actually implemented. This is because the majority of all strategic decisions are made at the ministry level. After all, it is the government that deals with the issues of Finnish universities and their legal aspects, the number of their degrees, their funding and rules and so on. All of these. I mean we have this national system. So in a commercial sense the strategic latitude that a single university has is very small. (H5)

It is seen that a second reason for non-specific and equivocal strategies is the bottom-up democratic system of the Finnish universities. *"Inevitably it creates a certain consensus-oriented basis. The internal board is not very equipped to make significant structural reformations even inside of its own frames."* (H5) As a consequence of the two things mentioned the strategies are more like general wishes of the direction of the university. It is seen that the role of the strategies is only to create processes which help to find the identity, direction and vision of the university.

Data on finance, students and staff numbers

Measured by the amount of students, the Helsinki School of Economics is the seventh smallest university in Finland. Only the other schools of economics and four art universities are smaller. The number of students in the HSE has not increased at the same rapid pace as in many other Finnish universities. The amount of students has grown only 28 % from the beginning of the 1990s (Table 1). It was stated by one interviewee that the HSE is not very expansionist university. At the beginning of the 1990s there were even discussions about dropping the Bachelor's degree and leaving it to the polytechnics but this plan has not realized.

I think our current size is very suitable for the Finnish market, we have enough demand while on the other hand we're not looking to expand radically. I think we could in fact be a bit smaller if we only could really focus on our Master's programmes. We could maybe do this, in fact we have a strategy that urges us to focus on Master's programmes, but of course we really can't do this when our funding is subject to both our Bachelor and Master's programmes. The funding system actually prevents us from realizing our strategy. It's been a part of our strategy for years, but under the current funding system we can't really fully implement our strategy. (H1)

Table 1. The degree student numbers in 1990 – 2004 (KOTA database)

	Undergraduate		Postgraduate		Students total	Index
	home	overseas	home	overseas		
1990	3013	n.a.	372	n.a.	3385	

1991	3073	5	398	2	3478	100
1992	3171	3	455	2	3631	104
1993	3128	4	495	5	3632	104
1994	3254	6	467	3	3730	107
1995	3423	5	423	6	3857	111
1996	3305	11	405	7	3728	107
1997	3402	19	387	10	3818	109
1998	3389	19	337	7	3752	108
1999	3361	42	380	4	3787	109
2000	3448	56	386	8	3898	112
2001	3582	62	381	9	4034	116
2002	3782	89	388	11	4270	123
2003	3898	95	425	14	4432	127
2004	3844	92	393	14	4343	125

The amount of teachers has not increased from the beginning of the 1990s until present day. Also the amount of other staff is about the same as fifteen years ago. What has increased is the number of researchers. It has grown according to a general trend in Finland.

Table 2. The numbers of academic staff and other staff 1990 - 2004 by financing source (research students in national research schools included in researchers) (KOTA-database)

	Teachers		Researchers		Other staff		Total	Index
	core	non-core	core	non-core	core	non-core		
1990	158	.	15	12	152	67	404	100
1991	159	.	16	8	154	87	424	105
1992	157	.	17	10	154	84	422	104
1993	154	.	14	9	142	81	400	99
1994	161	.	9	5	139	54	362	90
1995	165	2	20	12	139	48	386	95
1996	162	1	16	23	167	54	423	105
1997	152	.	14	33	130	86	415	103
1998	136	1	25	33	159	47	401	99
1999	140	1	34	15	167	33	390	97
2000	149	3	36	23	140	64	415	103
2001	150	4	35	41	136	74	440	109
2002	152	4	41	52	112	76	437	108
2003	152	4	47	45	130	79	457	113
2004	154	4	46	56	140	79	479	119

The total budget of the university has doubled from 17,5 million euros in 1990 to 35 million euros in 2004 (Chart 1). As in the other Finnish universities the share of external funding was very low still at the late 1980s. But its proportion grew much faster and was substantially higher at the beginning of the 1990s than in the other universities (Chart 2). At the end of the 1990s the proportion of external

funding has been about the same as the average of Finnish universities or even lower. The change is due to incorporation of some executive education and applied research activities in 1997. From that on the funding of these functions has not been included in the official statistics. In 2004 31 % of external funding was research funding.

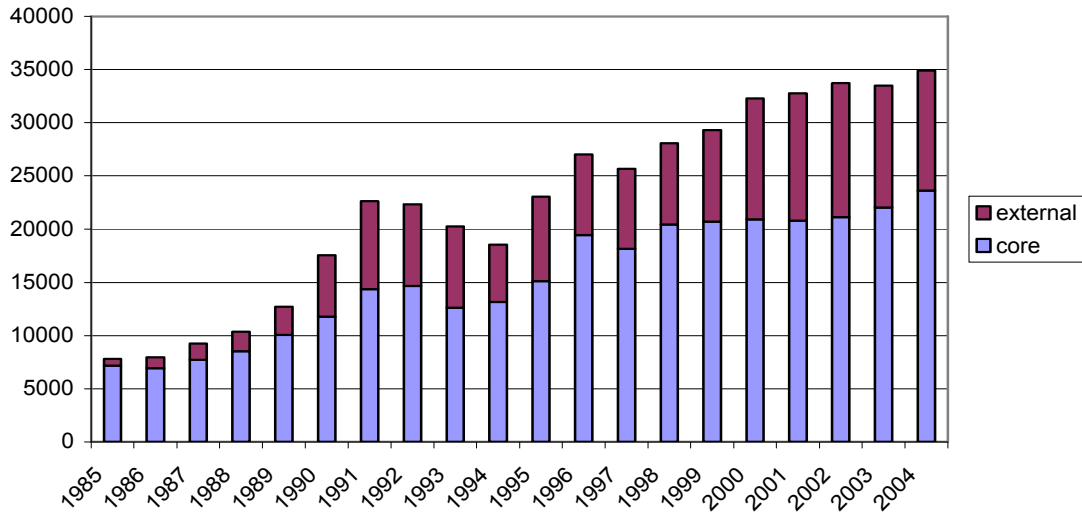


Chart 1. State core and external funding in 1985 - 2004 (1000€) (KOTA database)

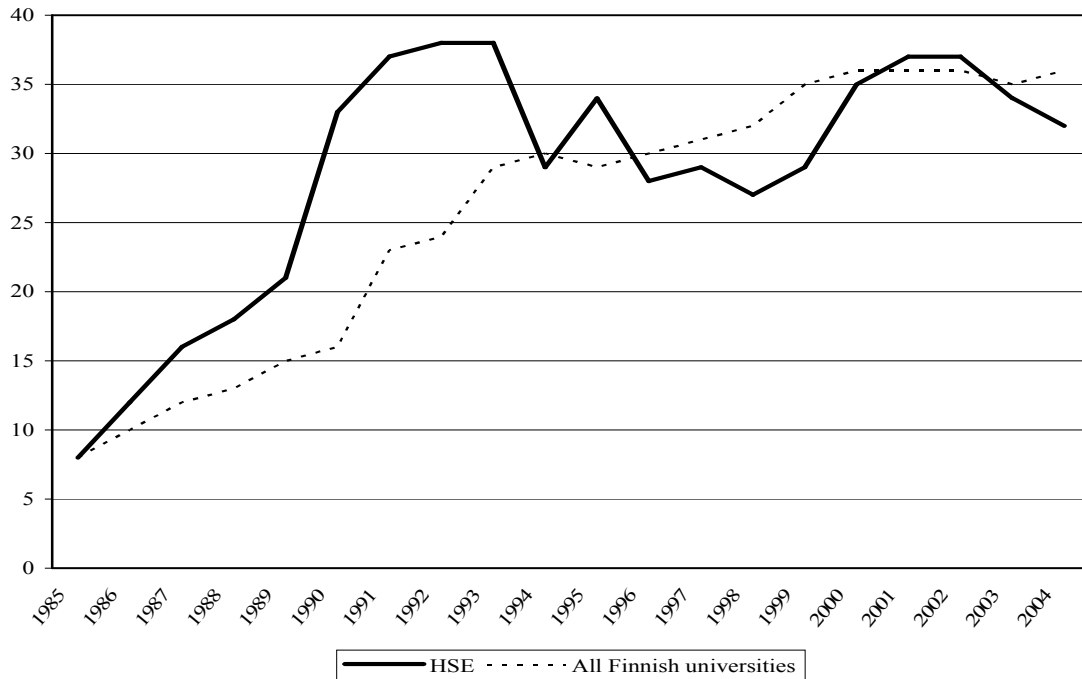


Chart 2. The share of external funding in 1985 – 2004 (%) (KOTA-database)

2. The balance between external and internal drivers of change

As in the other case universities the critique towards the “state accounting office system” of the universities is strong. It is seen that the steering of the state has tightened for example relative to productivity. The result negotiations control the activities of the university and the university has to report about its doings more than earlier. On the other hand it is seen that the action of the university may be more purposeful as its resources are bound to certain targets.

In terms of this external autonomy, I'd say that this government control and steering has in fact increased, whether we consider productivity or service centralization or any of these resource models or what is actually possible. Government control has increased and they are trying to make the logic of it as efficient as possible, in other words, the kind of accounting office type of activity has become more and more common. (H5)

The interviewees admit that autonomy of universities has increased in principle but say that in practice autonomy is quite far away.

Now of course there's also the fact that funding can be used more freely. But the framework, quite a tight not to mention, does still exist. So I don't know whether autonomy has really increased. Sometimes it even seems like it has decreased. (H7)

One interviewee sees that the university sector in Finland is living in command economy. The planning machinery of the state defines how many students are educated, in which fields, who train them, with what resources and regulations. This system is seen continuously to be colliding with the pressures of internationalization and global education markets which operate according to demand signals. He sees that the most significant change facing university system is globalization and emancipation of business life. This has set a big challenge to the schools of economics because they are closely connected to economic life.

This is all based on this sort of consistent planning model, which is tried to make more effective. It is tried to make the planning as effective as possible, so that it would be specific and profiled. And this involves all of these structure discussions, numbers and everything else. And it's also related to the worldwide education market that in the outside world function based on demand, whereas this our system works more on the basis of planning and demand. These two worlds are now sort of colliding. (H5)

Internationalisation is seen to be encumbered by the role of the university as an office of the state. The Helsinki School of Economics is leading up to operate also abroad but at the moment it is easier to realize through its JOKO Executive Education company. Regulations regarding this kind of activities are seen to be very confused. Some interviewees saw that the regulations have not kept up with the changing world. Internationalisation is emphasized in every report and agenda but the universities have not received possibilities to realize this.

I think that many ministries don't even understand why we should operate abroad. For example, if a foreign company wants to educate its middle or upper management in Asia or somewhere, I'm sure if you'd suggest them that they could do it in Finland, they'd think you're joking. Of course we have to

operate in the environment the companies do. Or we'll have to simply forget this fine-tuned education system of ours, or the idea that it actually has an international market. We should then stop saying that we're global and let the Americans or the British or the Australians take care of the global education market. If we don't have the right tools it won't work. And a government agency is not a suitable tool, this is obvious to everyone actually involved in this. (H1)

One interviewee saw that in principle the university has possibilities to choose its direction and that change comes inside of the science. But at the moment the situation is that the problem of the HSE is structural budget deficit. In consequence the university in many respects directs its activities for which funding is available. This would mean that the influence of external financiers on the university is quite significant.

Well, we do have differing opinions as to what kind of training programmes are currently needed and for what external funding is available. External steering is as such quite significant at the moment. – Or should I say that at the moment it's more difficult to have an affect on issues within the university board than it was a few years ago. It's obvious that the university's decision-making, at least here at the Helsinki School of Economics where we have a structural budget deficit, is influenced by the fact for which things funding is available, decisions are often based on that. (H6)

It is seen that steering by resource allocation outside of the university can be troublesome because civil servants not necessarily have second sight to forecast the success fields of the future. The university should take account and respond to the needs of the business life, not to the “civil servant views at the Ministry of Education. This is primarily important at the studying programmes. I mean, we do know here many things for which there is demand but which we can not implement because they do not fit in the focus areas which are decided outside of the university”. (H6)

3. Organizational change

Management structures and processes

The Helsinki School of Economics has a part-time Chancellor whose task is to contribute to the success of the university and to realizing its purposes. The Board, the Rector, two Vice-Rectors and the Teaching and Research Council are in charge of the general administration of the university. The Vice-Rectors assist the Rector with his duties. The Board can free a vice-rector from the tasks of his regular position. The Teaching and Research Council develops teaching and research, evaluates postgraduate theses and presents appointments to offices.

One interviewee said that the meaning of the University Board is more and more weak. Firstly because there is the earlier mentioned structural deficit in the budget and secondly because the matters the Board handles are very much prepared before they go to the Board. In consequence the power of rector has increased because the preparation system is subordinate to the rector.

This has led to a situation that in Board meetings matters are actually presented, but they've often been practically decided beforehand. And thus the Board doesn't really have the power it's supposed to have. The power has been in many cases actually transferred to bodies that prepare the issues and that work under the Rector's supervision. This is why the Rector has a lot of power in our university. (H6)

An external member to the Board was at the first time appointed in 2005 when it was made mandatory by the Universities Act. He/she is nominated by the Consultative Committee. It was questioned whether a single external member could have influence on the university. It is anyway seen that he can raise the standard of discussion at the Board meetings and create pressures for change at the administration structure. The Consultative Committee is meant to improve the cooperation with business life and other stakeholders. It has maximum 25 members who are invited by the Board. Its task is to make suggestions of how to develop the university. The Consultative Committee functioned in the beginning of the 1990s but between 1998 and 2003 it did not convene although it was formally included in the organization chart. It was called again in 2004 to intensify the cooperation between core activities of the university (teaching and research) and the surrounding society.

There have been no big reformations at the internal administration system of the university. In 1996 the administration reorganization was started so that the organization would be more flexible and flatter. For example one of the policies the university has adopted is that it would get rid of the subject level in terms of budgeting. The Rector allocates the resources to the departments. (The HSE is organized as five departments which are further divided for different subjects. The departments are free to decide whether their management is concentrated to the department level or do they additionally use the subject level.) In 2004 there were some changes arising from the reform of the department structure. Anyway, according to the interviewees these changes have not had strong concrete effects to the everyday work of the staff. The HSE has seen to be quite flat organization through its history. This is partly due to its small size; it is “*the size of one faculty in the big university*” (H6).

It was estimated that the role of the heads of the departments may have increased. One interviewee saw that what has changed in the decision-making process is that issues are prepared more before making decisions and the processes have extended. For example the funding allocation process is at present longer than earlier. In 1996 the practice was still that central administration decided which unit gets what but in longer processes of today there are more people affecting to the process. This means also that the possibilities of the departments to influence to the funding allocation process have increased.

On the other hand “some decisions have not had to go through these bodies, so the decision-making process has been a bit more flexible in these matters. I’m sure the university ordinance has also reflected a bit more concretely that decisions may have been made or that even department heads have had the authority to make decisions; this is how it has shown.” (H7)

But it is seen that in the current university administration system the possibilities to develop management system are limited. Critique towards current management system is quite harsh especially among the top administration. The system is seen incoherent. The attitude becomes quite clear: leadership and administration should be strengthened, clarified and rationalized. The role of the Board should be clarified and the role of the head of the department as well as the rector should be stronger and more managerial. One interviewee saw that it can be expected that the management system will be changed radically in future. In this university it is not seen possible that current kind of administration and management structure would be workable.

This is more based on these sort of agreed role models and on collegiality and networks, but we’ve tried to improve the situation and there’s some pressure to do so in these new situations. A good point for comparison is found in these private polytechnics here in Finland, for example in Helia. They have a much more managerial management model, their rector is much more like a chief executive officer

and gets to choose department heads and so on. If you compare it to this university model, you'll see that it's exactly the opposite. This basic Finnish university model stems, as far as I know, from municipal legislation. This type of model that's based on the same principles as municipal democracy isn't really suitable, whether the model is good or bad, but it's very hard to get both of these models to work simultaneously. So in that sense the governance of Finnish universities is quite confusing. (H5)

As a reason for possible future changes in the management system as well as changes in more general level one interviewee saw the external pressures from many directions. He also believed that the external member of the Board and the Consultative Committee will have reformative effect.

Well, now I believe that with these changes in the board it'll happen, we got external presentation into the board, the former CEO of Kesko. And we have a consultative committee with some very influential people that want to help and reform the Helsinki School of Economics. I believe that now there are all kinds of pressures to make reforms. Now we're going to have to do something about this. Some are talking about merging. But at the same time budget framework is not going to change, funding will focus more and more on competitive funding. So the situation is quite turbulent at the moment. (H3)

Organization structures

Reformation of the department structure was made in 2004 which was planned to support moving to the programme-based degree structure. The Department of Business Technology was established and the Department of Management and the Department of Marketing were merged. But the most important change has been the incorporation of the executive education and applied research services at the end of 1990s.

The executive education was incorporated in 1996 and the *JOKO Executive Education* was established (in English *Helsinki School of Economics Executive Education* is used). At the same time *Prodec* (a developing country training centre) was incorporated but it was later sold to the *Helsinki Consulting Group Ltd.* (a company of the University of Helsinki) in 1998. The *HKKK Holding* was established a year after first incorporations. It was supposed to clarify the structure and proprietary arrangements of the business operations. The Board president of the holding company is the rector of the HSE. *HKKK Holding* is entirely owned by HSE through its funds which remained after the university was nationalized. This was a solution at the end of the 1990s when there were no other possibilities for universities to establish companies. There have been some tensions between ministry level and the HSE because of the incorporations. Anyway, especially the education business is seen profitable.

Well, it isn't even sure if everyone thinks this activity is legal, so of course we've kept quiet about it. Nonetheless the fact remains that more than 1400 Korean executives have completed the Executive MBA programme here at the Helsinki School of Economics. And it has been very profitable education business. (H1)

The Research Institute for Business Economy was annexed to the Helsinki School of Economics in 1996. In 1997 the research services were incorporated and the company has used the name *LTT Research Ltd.* since 1998. In 2000 an affiliated company of *JOKO, Helsinki School of Economics Executive Education Pte Ltd.* was established in Singapore and the company started in 2002 also in China.

The companies operate as totally independent companies. The connection between the HSE and companies is that the university is the holder and the expertise of the companies in many respects is based on the expertise of the university. But the business enterprise is totally different from the higher education world. According to the CEO of the LTT there is no daily connection between the university and the company.

Strict competition with many quarters has made the LTT to change its strategies. Before it was incorporated the research institute mainly made reports to the government officials. At the next period the TEKES projects took the main role. The latest strategic step has been taken towards accentuating consulting services for individual firms. The way of action of the LTT is naturally different from the action of the university. The LTT strives for producing solutions for its clients whereas the university is advancing science. The results of the LTT are property of clients whereas academic research should be available for all. But the CEO of the LTT pointed out that the universities are getting closer to the working methods of the consulting services. Actually there is some kind of competition situation between the LTT and the HSE.

The situation has actually been quite competitive all the time. Almost everyone, including professors, work in consultation in one field or another, either as individuals or through some companies. Then there are some special units within the school and they actually work within the markets. We've always realized this competitive nature of the situation and we've always felt the need to control this situation. But in practice we've never really achieved this properly. (H4)

Especially establishing the JOKO Executive Education has facilitated working of the university because it does not have the limits of the state office. Before incorporation there were problems because further education resembled entrepreneurial activity and the university was already operating abroad. It is seen that the company can provide better education than the university by hiring best teachers with good salary.

It has made human resources management and financial management and things like these easier, all of this is easier for a company to handle. They can make decisions based on demand and the funding situation. But here on the government side you'll always have to consider all of these special terms and conditions related to everything. And this can mean that maybe we won't achieve the quality we want to achieve in our actions because we for example can't hire the teachers we want. (H7)

4. Financial management

It is seen that an important reason for increased external funding is that the volume of chargeable services has increased, there has been more research funding to apply and that people have been active and willing to seek funding. There are also incentives to seek external funding. The departments can have a certain proportion of the surplus of external funding. There have been also ideas to take external funding as one criterion for result funding. The interviewees did not see that external funding would have been actual necessity to compensate weak budget.

One interviewee stated that they have consciously and actively raised the proportion of external funding to increase the autonomy of the university. Establishing companies has naturally assisted reaching this goal. The incorporation of executive education (JOKO) and applied research (LTT) meant

somewhat more financial latitude to the university. Also the Small Business Center and MBA programme are units operating on significant amount of external funding. It has been consciously tried to promote the increase of external funding which has grown from 30 % in 1990 to 50 % nowadays. These numbers include also the funding of the companies which are not included in official statistics. The share of external funding (including companies) has been planned to rise up to two thirds of total funding by the end of the century.

This is the result of active policy as we've strived for autonomy in economic terms and activity-wise. And those limited companies function independently and they can operate on the market's terms, not like government agencies. This is exactly the direction towards which we've consciously wanted to develop the situation. (H5)

We've accepted this, we didn't want to start a fight, not even if we've suffered in all of the criteria [because the funding of companies is not included in statistics]. I guess people's attitudes are that they're so rich that we don't have to care about them. Well, I can't deny, it's been so productive that we've been able acquire so much equity capital that we can cover all the risks. That's quite an accomplishment. If you include these companies, the proportion of our external funding is about half of all overall funding. (H1)

The annual net revenue of companies has been about ten million euros in the last years. The share of JOKO of this is two-thirds. The Head of the Administration does not believe that the turnover of the companies could grow significantly anymore. This is due to their principle of keeping high quality and AMBA accreditation which sets certain quality standards.

Table 4. The revenue of the HKKK Holding 1999 – 2004 (M€)

1999	2000	2001	2002	2003	2004
7,2	9,3	9,3	11,2	9,3	9,9

At the two departments, the Department of Marketing and Management and the Department of Economics, which were represented at the interviews, external funding is seen quite positive. It is seen that researchers have good possibilities to autonomously decide about their research aims and that external funding has increased the autonomy of the departments. It has created more opportunities for the departments to realize different projects. Underlying these positive views may be the fact that these departments have very great proportion of non-core funding (60 % and 50 %, all public external funding). Some departments can choose “suitable funding” for projects which are seen reasonable, some may have to take all available funding whether it fits the aims of the department or not. One interviewee that they do not need to take any external funding, they could operate totally within state core funding. Considering the whole university the freedom to choice may be smaller bearing in mind the structural budget deficit of the university.

But we have been in a good situation in a sense that we haven't had to do research for money. We've gotten funding for projects we've felt are feasible and sensible. – We've got so much of surplus that we've haven't had any financial problems at all while I've been here. In fact, quite a lot of savings have been transferred from us to other subjects. (H6)

In this sense our autonomy has grown. Now we can do projects we couldn't do before. And also train new doctors. We wouldn't have to. We could just decide that fine, we won't take any external funding, we'll just operate on our own budget. We have the right to choose. But we've adopted this policy because now it's possible and I think has worked quite well up to this day. (H6)

At the administration it is seen that the requirements of external financiers and demands for continuous reporting and controlling set too many limits and influence very much the functioning of researchers. It is quite controlled what you can or can not do with resources. The external funding as a whole is not seen profitable. You may have to accept funding which is not cost-effective and includes many conditions. In jointly financed projects universities are demanded to put in their own money. These projects eat away the core budget of the university. From the point of view of central administration the overhead supplement, which is 12,5 % for example at the projects of the Academy of Finland, does not cover costs. Usually the overhead the universities in Finland take from external projects varies from 15 to 20 %. Chargeable services which are on a commercial base instead are profitable, because the university can price them properly. Anyway, it was stated by one interviewee that if the university intends to develop its research task as it has been planned, the share of external funding must grow because core funding does not give possibilities for that.

There are of course areas in which autonomy has increased. I mean now we're operating under a single sub-item, whereas in the 70's there were dozens of them. So it seems that there's a lot more latitude, which of course is true. All things aren't that tightly regulated, but then on the other hand the proportion of external funding has increased substantially. And to me it seems that all finance providers have quite strict rules over what their funding is for and for which purposes it may be used. Often they influence people all the way from the application process of funding to the actual situation in which they use the money and for what people use the money. (H1)

I'd say that not very profitable. The overhead rate of the Academy of Finland is so small that it doesn't really make a difference because we'll in any case have to provide all of these networks and facilities and other services, IT services and such. It's way too small. After the expenses you won't be left with anything. Tekes projects are a bit better. And if we had these services subject to a charge that we could sell, we could set a price based on the markets. This means that we'd be able to make a profit with them. For example the Small Business Center provides these courses that are subject to a charge. They can price these courses on a market basis. Thus these courses are then a bit more productive. I mean, you can't really allocate any extra funds from the structural fund projects for this kind of purpose. Only the obligatory expenses of the project are eligible for this. On the contrary, sometimes it seems that they're just a burden in terms of our overall budget. (H7)

I'm sure it'll be increased. If you look at these research statistics, you'll see that we should invest in and focus on research. And it can't be increased through our basic funding. If you think that you're supposed to produce a lot of publications and to be visible in international research projects and such, you'll realize that you simply have to acquire external funding. (H7)

One funding source is the Partnership programme of the Helsinki School of Economics. Although it is not that big money which is collected as membership fees, it is important because the university can freely use the money for the activities and equipments they see central. Secondly the HSE has lecture halls named after companies. Companies have possibilities to support the studying facilities of the university, the names of the companies are paraded at the university but the university has no other

obligations to the companies. The most important benefit is that good links between companies and the university can be sustained.

It's quite a big thing and it brings in at least as much money as it takes, or actually it brings in some money as these companies pay us a certain annual membership fee. I think there are 13 or 14 of them now, or something like that. And they also have some joint events and then we also tailor some services for them individually. – But it's not crucial in terms of our overall budget. But it's nonetheless a nice little addition, especially when you consider that it's sort of this free money, it's not earmarked for any specific purpose. And then we also have halls that named after companies, for example we have the Nokia Hall and the Xerox Hall and many others. They produce something like a 100 000 to 200 000 euros annually. With this money we can renew our facilities and IT equipment and such, that's where this money usually goes. But maybe the most important aspect of this is that this is a very good way of keeping in touch with these companies. It also spawns some jobs, enhances our image and so on. (H1)

Then we've also developed this partnership programme and partnership unit. Its purpose is to centrally manage our corporate relations, it's not supposed to monopolize them, but to provide support for people who need it. This doesn't however mean that professors don't deal with companies directly. But we do nowadays have quite an extensive database of corporate relations. (H1)

Risk taking and incentives

It is seen that one fundamental problem at the university financing system is that the universities can not rack up surplus which could be invested in targets which are seen crucial at the university and which could be used as a buffer in bad years. Resources must be expended exactly for the purposes they have been allocated and if there are extra resources you pay it back. All the funding which the university receives is subject to state regulations, which means that funding is under strict limitations. There is readiness and willingness to take risks at the Helsinki School of Economics but the system does not give possibilities for that. The HSE would be very eager to operate abroad increasingly but it is complained that because the Finnish higher education system and regulations do not provide suitable structure and tools for this, no one wants to take such risks. The interviewees at the HSE wish a university model which would allow clearly more financial autonomy.

I think it's still too much based on expenses, I mean, you get the money, then give an account of your expenses and pay back the rest. If I may exaggerate a bit, it's almost like when your mom gave you some money to buy candy and told you to bring back the rest. We – as a school of economics – would prefer the idea that we sell for example our research. And the price is determined by a service value, not by the expenses. This way we'd be able to cover all our expenses and maybe make a bit of profit as well, which would allow us to accumulate some assets. This would give us more freedom to focus resources on the things we want focus them on. As our rector said, American universities, because they're so good and wealthy, can afford to refuse funding that involves a lot of conditions or special terms. This way they're much more autonomous and independent. Here in Finland we have to scrape up all kinds of joint financed funding into which we have invest money in as well, money we don't even have. (H1)

But this strategy process is in my opinion a waste of time as the rector doesn't really have anything to offer. What can you do if you have nothing to play with? If there's some slack with which you could actually do something, it'll be saved and the Minister of Finance will just say that you've got extra

funds, you've been able to save some, so, we'll take this "extra" from you. Or that you don't even need the money, you've got savings. (H3)

We have this holding company that manages these other limited companies. This is one of these models that may work very well in the new modern world. I mean that it would make universities into their own independent legal entities, they'd no longer be just accounting offices. They'd have their own capital and they could make investments, take some risks with some of their capital and they could also do some R&D. (H3)

The internal resource allocation model of the HSE was started to reform by degrees in 2005. The new model includes for example a profitability item, a quality item and a sizing model. The profitability item pays attention to how many credits, Master's degrees and Doctor's degrees each department has produced. The quality item is under construction and will be introduced later. The sizing model gives instruments to benchmark departments and allocate resources properly in relation to work load of the departments. Attention is paid for example to how many courses each unit provides for each studying programme. With the sizing model the university will also review if there is enough demand for every course or should part of them be abolished. By this resource allocation model the university strives for a model which motivates the units for profitability and excellence with their work. The university wants to rationalize the expenditure of resources and achieve "right targets".

First of all we've wanted to concentrate the available funding on the right things, on the things we're supposed to produce: degrees and credit units. And then we've also wanted to get rid of resources that aren't used efficiently, we've tried to control the situation better. And then there's also this sort of a design model in our funding distribution and resource allocation model. (H7)

The new strategy pays attention to encouraging and motivating management system which offers incentives. The university seeks to promote encouraging salary structure. The new nation-wide salary system is part of this structure and secondly it includes a new scholarship system created by the HSE Foundation. In this system every researcher whose study is published in a top journal (impact factor over 1) will receive a scholarship of €2000. Other extra rewards are limited to additional commissions for supervising doctoral students and leading projects as in other universities. At the companies personal reward systems are certainly used. There have been also plans to use reward systems at the Small Business Center which is outside of the core tasks of the university. It was stated that it is quite difficult to deviate from the collective bargaining contracts of the state.

We don't have a clear system of pay by results. It's been discussed, but I guess you could say that if you're active and bring in external funding we've tried to pay attention to it. We've tried to reflect this in people's salaries, we've sort of treated it as extra work which is compensated. – The places where it works, and where it was implemented in a day or two, are these companies of ours. They do have a pay by results system, which also works. If the result is poor, it's reflected in people's salaries, period. (H1)

5. Commercial and intellectual exploitation of knowledge

It was stated that the research results of the HSE are not usually easy to commercialize. Many of its fields are actually close to social sciences which were once again compared to technological sciences. Of course there are some fields that produce knowledge which has plenty of demand and which can be processed for consulting products. In this way research may have much impact. For example the

research centre CKIR has better possibilities to commercialize its research results and it has made patent applications. But its field is not pure business economics. It is a multidisciplinary unit which cooperates also with technological fields. Mainly it is thought traditionally that the responsibility of the university is to produce objective knowledge and that for example the expectations of policymakers can not affect the work of researchers. The exploitation of knowledge is seen to happen more through education and that the best mechanism to disseminate knowledge is to teach students.

There isn't that much research within the field of business economics that could be easily commercialized, of course there's some, especially the patent applications of CKIR, but those don't really belong to the field of business economics. But other subjects aren't really any better in this regard. But then again, some commercialization has taken place, especially through the courses of the Small Business Center, they do offer quite a lot of courses. And of course the so-called company incubators do it, they organize all kinds of courses and education and such. That's where our know-how and knowledge is also spread and disseminated. (H7)

The new university company model which has been possible since August 2005, was heavily criticised by one interviewee. The universities can establish limited companies with a part of their operational expenditure allowance. The university first makes a proposition and the Ministry of Education makes the final decision to approve the establishment. The new regulation enables universities to have the income from dividends as well as other income of their companies for themselves; the income does not go to the common fund of the state. The purpose has been mainly to improve commercial exploitation of research results. The intention has been also that part of the commercial and joint funded research of the universities could be incorporated in future. It was seen that this model does not assure enough operational preconditions to bear risks. It does not give a possibility to establish a holding company that would carry the losses and profits but the return of the companies must be written to the balance sheet of the university.

But I don't think that they've really fully realized all the aspects yet. They want power and are concerned with the commercialization of some innovation and the entrepreneurial possibilities and with the fact that hopefully we don't make too much money and become too rich with all of this. But I don't know of any university anywhere in the world that would've become too rich with this type of thing. What they should be concerned with is making sure that we have operational conditions that are capable of covering the risks. – I think it's quite natural that this model has not cut a dash in the universities. It's still based on that mistrust. As I see it, people don't have confidence in the universities' abilities of doing it successfully. (H1)

6. Competition and marketing

The mission of the Helsinki School of Economics states that the university is the number one in Finland at the field of highest education of economic sciences. This is certainly acknowledged at the other universities as well. The university has also tended to aver this by emphasizing the accreditations and good evaluations which the university has gained.

But I guess our position in the Finnish market is quite superior. In principle everyone recognizes our supremacy here and it does give us a nice boost of confidence. The competition is nonetheless hard so we can't afford to be complacent. If we are, our status will quickly be gone. (H1)

Internationality has been emphasized a lot, as has the fact that this actually is this, and not just in our own opinion, a kind of a top-class university. We've highlighted how well we've succeeded in various rankings, evaluations and accreditations. We've also tried to emphasize this to the general public. So, we've really strived to bring this forward. (H7)

The university has worked hard to increase the awareness of the brand of the HSE among general public. It has invested time and energy to enhance communication and to harmonize the face of the university PR material. Still it was stated that communication should be intensified furthermore and that would require extra resources. On the other hand it was seen that because very glaring hype is considered odd in Finland, marketing is not seen that essential business.

I think we do advertise more. On the other hand you can also see it as knowledge dissemination, for example the HSE Open University and the Small Business Center do advertise their courses. And we've also tried to create a certain image, all of our advertising has the same look and image. Earlier there was a lot more variation. We've really focused on this, our marketing and communications department has really worked hard to create this brand. (H7)

But we don't really have the expertise we would like to have in this field. If we'd want to be really professional we'd have to have more resources and these resources would have to be taken from somewhere else. If we consider advertising for example, as we had this question here about marketing, I'd say that TV advertising for example is a taboo, except maybe for polytechnics as some people seem to think. But I don't know if this is due to image issues or lack of money, I think that here in Finland it's more of a imago thing, people don't want to be seen as these sort of hucksters. (H1)

The interviewees see that the university has enough applicants every year. In 2004 26 % of all the applicants were admitted to the HSE. But there is competition between certain fields and universities for the very best students. This competition exists especially at the capital area between so called elite fields medicine, law (University of Helsinki) and technology (Helsinki University of Technology), but also between all the schools of economics in Finland. Also within the HSE there is fierce competition. The departments compete against each others for the best and most motivated students. Competition for researchers and resources is not stressed. Instead, as in the other case universities, collaboration is emphasized. Most of the interviewees want to point out that cooperation with other departments, universities and research institutes is at least equally important or more important than competition. For example the Department of Economics is situated at the same building with the departments of economics in the University of Helsinki and the Swedish School of Economics. All three departments have close cooperation.

As I see it, we do compete for students. That's what we're competing for. And in terms of this competition, I think our biggest competitors are the Faculty of Law at the University of Helsinki and the Helsinki University of Technology or some medical schools or something. I think that these are the options for the many of the students that come here. It's about what these brightest students are interested in. So, as I see it, we're a part of this sort of mental competition. (H5)

But people here generally know quite well, even though I'd rather not say this, but it's quite a commonly shared view nonetheless, that our toughest competitor, or one of the toughest, is the Department of Industrial Engineering and Management at the Helsinki University of Technology. They combine technology with economics in way, which makes them very competitive in this day and age.

And then there are also the Swedish School of Economics and Business Administration and the Turku School of Economics and Business. (H1)

The competition for students within the HSE is very fierce at the moment. Maybe this partly due to the fact the first year of studies is the same for all, only after this students choose their majors. This has led to an almost insanely competitive situation over which subject gets the most students. And that's not good, it's not good to compete within our own university, we should be competing against other universities. During the past few years this competition within our own university has nonetheless been fiercer than ever. (H6)

The international dimension was also noticed. The university has to develop its imago also abroad. The HSE has to create good repute that it can compete for international top researchers, teachers and students as well as those Finnish experts who are willing to leave abroad after new challenges and better salary.

But then again, we don't compete just domestically. There's always the question of creating these university brands in the minds of people that go abroad and also in terms of foreign students and researchers. We have to able to create an image that urges people to co-operate with us. (H3)

One interviewee anyway accentuated that real education markets are not possible for the Finnish universities in current situation. There is no national education market because the degree production volume, and which university produces how many degrees is decided at the ministry level. The international education markets on their part are out of reach of Finnish universities because the degree studies must be free:

The Finnish university campuses, well, as they do have this joint leader strategy besides which this management and steering and control also do make them a rather homogenous bunch, don't really compete with each other in this sense that fiercely. After all, all of these outputs and other such matters are pretty much dictated for them. I mean, for example if you'd compare to a situation where all citizens would be given education vouchers with which they could get an education. Students could use it anywhere they want to and the universities wouldn't have predetermined output quotas like they do now. Universities could take in as many students with education vouchers as they can and vice versa. That would be a fully competitive situation. Now we don't really have true market-based competition at all. In this sense this is a pre-planned system. (H5)

There isn't international competition because we are prohibited by law to "export" these degrees, we can't compete in the international education market, we can't export our expertise or know-how, so, we don't really have competition. Our salaries are so poor that we can't compete for international researchers. We're simply not competitive. Thus we're only competing implicitly, we lose talented students and teachers abroad, but this is of course quite an invisible form of competition. (H5)

Competition is probably hardest at the area of international executive education because at that field the university must compete against numerous international education providers and the markets are real. Exporting MBA is possible because in Finland MBA is not treated as a degree. It means that MBA and EMBA programmes must be marketed and developed actively.

In terms of the MBA programme, and here in the HSE we also have this state funded MBA programme, well, it's been developed quite a lot in the past few years. And then it also has that AMBA accreditation, which poses certain requirements on it. And to even get foreign students to study in a MBA programme

here in Finland, of course you'll have to market the programme, be visible at these education fairs and exhibitions and try to be successful in these rankings, otherwise you don't stand a chance. These Nordic MBA programmes are also quite inexpensive when compared to programmes in the USA for example, but even the low prices aren't necessarily enough to attract foreign students. The programme in itself must have something special to offer. (H7)

7. To what extent can the university be described as entrepreneurial?

The companies of the Helsinki School of Economics certainly increase the university's "value" as an entrepreneurial university. Secondly the MBA programmes may be thought as entrepreneurial activity. The students of these programmes are mostly overseas students. Nowadays the annual number of graduates from MBA programmes is almost as high as the number of Master's degrees. Otherwise the HSE acts under the same regulations as the other universities. It was seen that the higher education system as a whole is very slowly reacting to the global changes. The interviewees do not think that the HSE would differ that much from the other universities in relation to entrepreneurialism. The only thing is that because the HSE is close to the business life through its research, it can be easier to them to know where to stand with entrepreneurialism. The intimacy with business life may also cause the fact that the language used in the annual reports of the HSE gives quite an entrepreneurial impression of the university.

But education and universities change very slowly. And it's a painful process. And I don't think that the Helsinki School of Economics is any different from other universities in this regard. Maybe it's because of our research, or should I say that because of the fact that we research these companies ourselves, that it's easier for us and in a way our students are already a part of this global world, at least on the level of attitudes. (H5)

Yearning for stronger managerialism and greater financial autonomy of the university is clear among interviewees, especially at the administration level. It would be liked to see the university as a financial actor and that Finnish higher education would be an export product. It can be also sensed that there is frustration because the decisions of the university to establish limited companies are not always understood. The interviewees do not want the Ministry of Education to patronize them, they believe that the university system could be controlled although they would have more autonomy. For example the situation that universities have many prohibitions to take good price of their services is seen inconceivable. *"We have more prohibitions to make revenues than instruments to make revenues."* (H2)

Well, there certainly is willingness towards a more entrepreneurial way, but then we're always constricted by these government regulations. So it doesn't really seem to work. After all, the decision-making processes are what they are. And the terms are quite harsh. So, even if there's willingness for a more entrepreneurial way of doing things, it can't really be done. (H7)

The same remark which was established in some interviews at the University of Tampere and the University of Lapland came up at the HSE: you can pretend acting entrepreneurially, but if it is unclear who has the power and responsibility within the higher education system, entrepreneurialism is impossible.

The basic problem is that the state organization is very incoherent, so that you don't know who has the power and responsibility. If exercise of power is somewhere and they can anytime give you any kind of regulations and still you have to take the responsibility, so it is quite impossible situation to work, really entrepreneurially. You can always play and simulate all kinds of things, but the problem isn't really solved until the universities are given authority to do things the way they please, as they see fit. Of course they should then also be responsible for these actions too. (H1)

But not all actors at the university share these thoughts. There are subjects and departments that function in a traditional way and are not very eager to seek external funding, for example. According to one interviewee no one is forced to adopt commercial or entrepreneurial attitude. The attitude towards entrepreneurialism and commercialization is quite critical in some cases. It is seen that if entrepreneurialism means selling products for profit, the HSE is not entrepreneurial, neither should it be, and professors at least would not accept this kind of entrepreneurialism. Still the staff also at the departments sees that the university should be financially more autonomous. Also the development of profit responsibility is seen positive, for example that the students really graduate and the costs will be capped.

Throughout its history the school of economics has wanted to become a university. And this is a very good strategy and more importantly the right strategy. Entrepreneurialism, of course, we are after all a school of economics, we're supposed to know what's going on in the business life. But business doesn't dictate research, nor should it. Research has to be conducted on science's terms. (H6)

I personally don't like this degree reform at all, I don't like it because after it students can't take the courses they like when they like. They have to study according to their personal study plans and optionality has also been reduced. All in all, I think it has just made academic life much more difficult. But at the same time it seems the costs will also have to be controlled. I mean that we also need clearer guidelines in terms of incomes and cost management. But how will we do this, there are no good models available. I don't really think that you can bring these business-process-re-engineering models from the business life into universities. (H3)

8. Inhibitors to entrepreneurialism and change

It has become clear that at the Helsinki School of Economics it is seen that the most important inhibitor to entrepreneurialism and change is that the HSE as other universities in Finland can not act autonomously but that they are accounting offices of the state. Legislation and the regulations of the state limit the new openings they would be willing to do. The steering of Ministry of Education forces universities to the certain direction. Secondly the internal administration system of universities is seen weak. The consensus-oriented basis of internal administration does not provide base for sharp changes. Additionally, the universities were stated by one interviewee to be strategically and institutionally weak because of their basic structure, that professors having tenure have so much authority.

The fact that our universities are these sort of subordinate accounting offices without their own finances, own money, own accounting and in principle even without their directly own employees or without a status of a legal person means that they're totally subdued government agencies that are treated like all other government agencies. This is an obvious structural weakness, which actively undermines our international competitiveness. – Similarly I could point that that this internal management model that's based on Finnish municipal administration isn't really suitable in this new situation. (H5)

We've grown accustomed to a certain system so changing is going to be difficult. Companies can do this by firing old employees and hiring new ones. But that's not the way universities operate. That's why these changes take time. (H6)

Traditional way of thinking about academic freedom may create resistance for change although opposition is not strictest at the HSE. But there can be found opinions that the changes do not have to take place at the same time at the whole university. Entrepreneurialism can be carried out at new units, like the CKIR at the HSE does.

We here at the school of economics can't take the chance that everything is going to work and everyone is going to do something. There's a certain shared consciousness in universities about the nature of universities, about what their traditions and history are. Sometimes this is even beneficial. If it wouldn't be, we wouldn't have any of these old universities. Companies aren't that old, for example Nokia is just 140 years old, but the University of Helsinki is much older. The fact that universities are this old and there's still demand for them indicates the fact that they do have a good reputation and they fulfill a certain function within society. And this function isn't tied just to the current situation here in Finland. (H6)

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